



**BOROUGH OF SOMERVILLE
COUNTY OF SOMERSET
NEW JERSEY**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

**WITH
REPORT OF INDEPENDENT AUDITORS**

HODULIK & MORRISON, P.A.

A division of  **O'CONNOR
DAVIES**
ACCOUNTANTS AND ADVISORS

**BOROUGH OF SOMERVILLE
TABLE OF CONTENTS**

<u>Exhibits</u>		<u>Page</u>
PART I	<u>Basic Financial Statements</u>	1
	Independent Auditors' Report	2
A	Comparative Balance Sheet – Regulatory Basis – Current Fund	5
A-1	Comparative Statements of Operations and Changes in Fund Balance – Regulatory Basis – Current Fund	6
A-2	Statements of Revenues – Regulatory Basis – Current Fund	7
A-3	Statement of Expenditures – Regulatory Basis – Current Fund	9
B	Comparative Balance Sheet – Regulatory Basis – Trust Fund	16
B-1	Comparative Statement of Fund Balance – Regulatory Basis	17
C	Comparative Balance Sheet – Regulatory Basis – General Capital Fund	18
C-1	Statement of Fund Balance – Regulatory Basis - General Capital Fund	19
D	Comparative Balance Sheet – Regulatory Basis – Sewer Utility Fund	20
D-1	Comparative Statements of Operations and Changes in Operating Fund Balance – Regulatory Basis – Sewer Utility Fund	21
D-2	Statements of Fund Balance – Regulatory Basis – Sewer Utility Fund	22
D-3	Statement of Revenues – Regulatory Basis – Sewer Utility Fund	23
D-4	Statement of Expenditures – Regulatory Basis – Sewer Utility Fund	24
E	Comparative Balance Sheet – Regulatory Basis – Parking Utility Fund	25
E-1	Statement of Operations and Change in Fund Balance – Regulatory Basis	26
E-2	Statements of Revenues – Regulatory Basis – Parking Utility Operating Fund	27
E-3	Statement of Expenditures – Regulatory Basis – Parking Utility Operating Fund	28
F	Comparative Balance Sheet – Regulatory Basis – Public Assistance Trust Fund	29
G	Statement of Governmental Fixed Assets	30
	Notes to Financial Statements	31
PART II	<u>Single Audit Section</u>	67
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	68
	Report on Compliance for Each Major Federal and State Program; Report On Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal and State Financial Assistance Required by OMB Uniform Guidance and New Jersey OMB Circular 15-08	70
Sch. A	Schedule of Expenditures of Federal Awards – Year Ended December 31, 2019	72
Sch. B	Schedule of Expenditures of State Financial Assistance	73
	Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	74
Sch. C	Schedule of Findings and Questioned Costs – Year Ended December 31, 2019	75
Sch. D	Summary Schedule of Prior Findings – Year Ended December 31, 2019	78

**BOROUGH OF SOMERVILLE
TABLE OF CONTENTS**

<u>Exhibits</u>		<u>Page</u>
PART III	<u>Supplementary Schedules</u>	79
	<u>Current Fund</u>	80
A-4	Schedule of Current Fund Cash and Investments – Treasurer	81
A-5	Schedule of Change Funds	82
A-6	Schedule of Maintenance Liens Receivable	82
A-7	Schedule of Taxes Receivable and Analysis of Property Tax Levy	83
A-8	Schedule of Due from State of New Jersey Per CH. 129, P.L. 1976	84
A-9	Schedule of Property Acquired for Taxes – At Assessed Valuations	85
A-10	Schedule of Changes in Various Accounts Payables & Reserves	86
A-11	Schedule of NonBudget Revenues & Various Accounts Receivables	87
A-12	Schedule of Taxes Payable	88
A-13	Statement of Interfunds Receivable/Payable	89
A-14	Schedule of 2018 Appropriation Reserves	90
A-15	Schedule of Tax Overpayments	92
A-16	Schedule of State and Federal Grants Receivable	93
A-17	Statement of Interfunds Receivable/Payable	94
A-18	Schedule of Reserve for State and Federal Grants – Appropriated	95
A-19	Schedule of Reserve for State and Federal Grants – Unappropriated	97
	<u>Trust Fund</u>	98
B-2	Schedule of Cash and Reserve Activity	99
B-3	Schedule of Reserve for Animal Control Fund Expenditures	100
B-4	Schedule of Miscellaneous Reserves	101
	<u>General Capital Fund</u>	102
C-2	Schedule of General Capital Fund Cash and Investments – Treasurer	103
C-3	Analysis of General Capital Cash and Investments	104
C-4	Schedule of Capital Improvement Fund	105
C-5	Schedule of Deferred Charges to Future Taxation – Funded	105
C-6	Schedule of Deferred Charges to Future Taxation – Unfunded	106
C-7	Schedule of Due from Various Grantor Agencies	107
C-8	Schedule of Improvement Authorizations	108
C-9	Schedule of Bond Anticipation Notes	109
C-10	Schedule of General Serial Bonds	110
C-11	Schedule of Loans Payable	111
C-12	Schedule of Due from Somerset County	112
C-13	Schedule of ERG Reserve for Payment of Future Debt Service	112
C-14	Schedule of Reserve for Payment of Future Debt Service	113
C-15	Schedule of Reserve for Grants Receivable	113
C-16	Schedule of SCIA Lease Payable	114
C-17	Schedule of Bonds and Notes Authorized but not Issued	115

**BOROUGH OF SOMERVILLE
TABLE OF CONTENTS**

<u>Exhibits</u>	<u>Page</u>
<u>Sewer Utility Fund</u>	
D-5	116
	Schedule of Sewer Utility Cash and Investments – Treasurer 117
D-6	117
	Schedule of Sewer Utility Change Fund 117
D-7	118
	Analysis of Sewer Utility Capital Cash and Investments 118
D-8	119
	Schedule of Consumer Accounts Receivable – Sewer Utility Operating Fund 119
D-9	119
	Schedule of Sewer Rents Overpayments – Sewer Utility Operating Fund 119
D-10	120
	Schedule of Prepaid Sewer Rents – Sewer Utility Operating Fund 120
D-11	120
	Schedule of Tax Title Liens Receivable – Sewer Utility Operating Fund 120
D-12	121
	Schedule of 2018 Appropriation Reserves – Sewer Utility Operating Fund 121
D-13	122
	Schedule of Fixed Capital – Sewer Utility Capital Fund 122
D-14	122
	Statement of Interfunds Receivable 122
D-15	123
	Schedule of Fixed Capital Authorized and Uncompleted 123
D-16	124
	Schedule of Bond Anticipation Notes 124
D-17	125
	Schedule of Improvement Authorizations 125
D-18	126
	Schedule of Reserve for Capital Improvement Fund – Sewer Utility Capital Fund 126
D-19	126
	Schedule of Reserve for Down Payments on Improvements- Sewer Utility Capital Fund 126
D-20	127
	Schedule of Due to Sewer Operating Fund – Sewer Utility Capital Fund 127
D-21	128
	Schedule of Reserve for Amortization – Sewer Utility Capital Fund 128
D-22	128
	Schedule of Deferred Reserve for Amortization – Sewer Utility Capital Fund 128
D-23	129
	Schedule of Accrued Interest on Bonds and Notes 129
D-24	130
	Schedule of Bonds and Notes Authorized but not Issued 130
<u>Parking Utility Fund</u>	
E-4	131
	Schedule of Parking Utility Cash and Investments - Treasurer 132
E-5	133
	Schedule of 2018 Appropriation Reserves 133
<u>Public Assistance Trust Fund</u>	
F-1	134
	Schedule of Due to/from Trust Other Fund 135
F-2	135
	Schedule of Reserve for Public Assistance 135
Part IV	<u>Supplementary Data</u> 136
	Combined Balance Sheet – All Funds for the Year Ending December 31, 2019 137
	Comparative Statements of Operations and Changes in Fund Balance – Current Fund 138
	Comparative Statements of Operations and Changes in Fund Balance – Sewer Utility Operating Fund 139
	Comparative Statements of Operations and Changes in Fund Balance – Parking Utility Operating Fund 140
	Comparative Schedule of Tax Rate Information 141
	Comparison of Tax Levies and Collection Currently 141
	Delinquent Taxes and Tax Title Liens 142
	Property Acquired by Tax title Lien Liquidation 142
	Comparison of Sewer Utility Levies and Collections 142
	Comparative Schedule of Fund Balances 142
	Officials in Office and Surety Bonds 144

**BOROUGH OF SOMERVILLE
TABLE OF CONTENTS**

<u>Exhibits</u>	<u>Page</u>
<u>PART V</u>	145
General Comments & Recommendations	146
Recommendations and Acknowledgment	155

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

**PART I
REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 and 2018**



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Somerville
County of Somerset, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets – regulatory basis of the various funds and governmental fixed assets of the Borough of Somerville, County of Somerset, New Jersey, as of and for the years ended December 31, 2019 and 2018 and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Borough of Somerville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, United States of America, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles are designed primarily for determining compliance with legal provisions and budgetary restrictions, and as a means of reporting on the stewardship of public officials with respect to public funds. Accordingly, the accompanying financial statements – regulatory basis are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The effect on the financial statements between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial positions of the Borough of Somerville, County of Somerset, New Jersey, as of December 31, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the Borough of Somerville, County of Somerset, New Jersey as of December 31, 2019 and the results of operations and changes in fund balance – regulatory basis for the year then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for the year ended December 31, 2019, on the basis of accounting described in Note 2.

Emphasis of Matter

As discussed in Note 17 to the financial statements, on March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of the Coronavirus disease 2019 ("COVID-19"). Our opinion is not modified with respect to that matter

Other Matters

Supplementary Information as Required by Uniform Guidance and NJ OMB Circular 15-08

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise of the Borough of Somerville, County of Somerset, New Jersey. The information included in Part II – the schedule of expenditures of federal awards as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award (Uniform Guidance)*; and the schedule of expenditures of state financial assistance as required by New Jersey OMB's Circular 15-08 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are not a required part of the financial statements. The information included in Part II – the accompanying schedule of expenditures of federal awards and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole.

Supplementary Information Required by the Division of Local Government Services in Accordance with the Regulatory Basis of Accounting

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise of the Borough of Somerville, County of Somerset, New Jersey. The information included in Part III – Supplementary Schedules and Part IV - Supplementary Data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Somerville, County of Somerset, New Jersey. The information included in Part III – the accompanying Supplemental Schedules and Part IV – Supplementary Data are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated July 6, 2020 on our consideration of the Borough of Somerville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Somerville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Accounting Standards and should be considered in assessing the results of our audit.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
A division of PKF O'Connor Davies
Certified Public Accountants
Registered Municipal Accountants



Andrew G. Hodulik
Registered Municipal Accountant
No. 406
Cranford, New Jersey
July 6, 2020

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

ASSETS	REF.	BALANCE DEC. 31, 2019	BALANCE DEC. 31, 2018	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2019	BALANCE DEC. 31, 2018
Cash and Investments - Treasurer	A-4	\$ 13,345,750.61	\$ 10,719,300.07	Liabilities:			
Change Funds	A-5	400.00	400.00	Appropriation Reserves	A-3, A-14	\$ 990,198.45	\$ 797,707.40
Due from State of NJ SC/Vet Deductions	A-8	22,329.22	5,639.04	Reserve for Encumbrances	A-3, A-14	894,538.21	688,235.26
				Prepaid Property Taxes	A-7	356,259.23	268,583.68
				Tax Overpayments	A-15	5,999.35	25,037.17
				Interfunds Payable	A-13	1,371,673.97	968,399.60
				Various Reserves	A-10	104,006.51	81,071.25
Receivables and Other Assets With Full Reserves:							
Delinquent Prop. Taxes Receivable	A-7	585,858.97	663,312.35	Reserve for Receivables	Reserve	974,164.63	1,010,815.83
Tax Title Liens Receivable	A-7	299,908.53	265,692.03	Fund Balance	A-1	9,645,804.11	7,896,304.75
Maintenance Liens Receivable	A-6	1,512.00	1,512.00				
Property Acquired for Taxes (At Assessed Valuation)	A-9	28,500.00	28,500.00				
Revenue Accounts Receivable	A-11	36,152.55	34,822.45				
Interfunds Receivable	A-13	22,232.58	16,977.00				
		974,164.63	1,010,815.83				
Total Current Fund		14,342,644.46	11,736,154.94	Total Current Fund		14,342,644.46	11,736,154.94
Grant Fund:				Grant Fund:			
State and Federal Grants Receivable	A-16	1,351,275.95	1,685,296.51	Reserve for Encumbrances	A-18	59,611.94	291,437.67
Interfunds Receivable	A-17	1,144,584.51	741,310.14	Reserve for State and Federal Grants:			
				Appropriated	A-18	2,434,013.52	2,132,933.98
				Unappropriated	A-19	2,235.00	2,235.00
Total Grant Fund		2,495,860.46	2,426,606.65	Total Grant Fund		2,495,860.46	2,426,606.65
		\$ 16,838,504.92	\$ 14,162,761.59			\$ 16,838,504.92	\$ 14,162,761.59

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE-REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2019</u>	<u>YEAR 2018</u>
Fund Balance Appropriated	A-1,A-2	\$ 1,850,000.00	\$ 1,900,000.00
Miscellaneous Revenues Anticipated	A-2	6,581,831.33	5,481,928.87
Receipts from Delinquent Taxes	A-2	574,718.97	680,295.96
Receipts from Current Taxes	A-2	42,354,214.12	41,665,248.89
Non-Budget Revenue	A-2	460,625.85	446,405.19
Other Credits to Income:			
Due from Animal Control - Statutory Excess	A-13	5,255.58	
Unexpended Balance of Approp. Reserves	A-14	1,029,771.05	1,560,170.80
		<hr/>	<hr/>
Total Revenues		52,856,416.90	51,734,049.71
		<hr/>	<hr/>
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating Within CAPS:			
Operating	A-3	12,699,300.00	12,218,875.00
Def. Charges and Statutory Expend.	A-3	1,534,747.00	1,467,500.00
Operating Excluded from CAPS:			
Operating	A-3	681,320.96	1,190,669.67
Capital Improvements	A-3	115,000.00	125,000.00
Municipal Debt Service	A-3	4,044,112.85	3,005,719.02
Local District School Tax	A-12	24,322,558.00	24,024,360.00
County Tax	A-12	5,245,284.01	5,123,822.00
County Added Tax	A-12	10,370.38	11,408.03
Downtown Somerville Alliance Tax	A-12	598,968.76	589,426.80
Interfund Loans Advanced (Net)	A-13	5,255.58	
		<hr/>	<hr/>
Total Expenditures		49,256,917.54	47,756,780.52
		<hr/>	<hr/>
Excess (Deficit) in Revenue (Balance Forward)		3,599,499.36	3,977,269.19
<u>FUND BALANCE</u>			
Balance - January 1	A	7,896,304.75	5,819,035.56
		<hr/>	<hr/>
		11,495,804.11	9,796,304.75
Decreased by:			
Utilization as Anticipated Revenue	A-1	1,850,000.00	1,900,000.00
		<hr/>	<hr/>
Balance - December 31	A	\$ 9,645,804.11	\$ 7,896,304.75
		<hr/>	<hr/>

Note: See Notes to Financial Statements

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

Exhibit - A-2
Page 1 of 2

**CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

		ANTICIPATED 2019 BUDGET	APPROP. N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	A-1	\$ 1,850,000.00	\$	\$ 1,850,000.00	\$
Total Surplus Anticipated		<u>1,850,000.00</u>		<u>1,850,000.00</u>	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages		30,000.00		33,607.00	3,607.00
Other		35,000.00		37,459.00	2,459.00
Fees and Permits		134,000.00		146,755.11	12,755.11
Fines and Costs:					
Municipal Court		406,000.00		503,635.53	97,635.53
Interest and Costs on Taxes		180,000.00		180,603.87	603.87
Interest on Investments and Deposits		50,000.00		127,116.19	77,116.19
Recreation Fees					-
Recreation Programs		80,000.00		94,312.93	14,312.93
Sale of Garbage Decals		22,000.00		27,337.00	5,337.00
Rent of Office Facilities		4,000.00		4,200.00	200.00
Consolidated Municipal Property Tax Relief		33,328.00		33,328.00	-
Energy Receipts Tax		1,370,962.00		1,370,962.00	-
Dedicated Uniform Construction Code Fees Offset with Appropriations (N.J.S.A. 40A:4-36 and N.J.A.C. 5:23-4.17):					
Uniform Construction Code Fees		340,000.00		561,620.00	221,620.00
Public and Private Revenues Offset with Approps.:					
Body Armor Replacement fund		3,411.95		3,411.95	-
Bulletproof Vest Program			768.17	768.17	-
CDBG Handicapped Ramp, Curbs & Sidewalk Improvements		100,000.00		100,000.00	-
CDBG Sanitary Sewer Grant			96,371.00	96,371.00	-
Clean Communities			24,395.49	24,395.49	-
Drunk Driving Enforcement Grant			6,941.17	6,941.17	-
EMAA Grant - Office of Emergency Management			10,000.00	10,000.00	-
Municipal Alcohol Ed. Rehab Grant			4,179.48	4,179.48	-
Municipal Alliance Grant		11,029.36		11,029.36	-
Recycling Tonnage Grant		13,550.33		13,550.33	-
Somerset County - RVSA - Green Acres Grant		2,500.00		2,500.00	-
Somerset County RCP Pedestrian Safety Grant Phase II		15,000.00		15,000.00	-
Somerset County Historical Preservation Cornus		126,174.00		126,174.00	-
Transit Village Streetscape Improvements			130,000.00	130,000.00	-
Youth Service			5,000.00	5,000.00	-
Other Special Items:					
Uniform Fire Safety Act		100,000.00		105,046.20	5,046.20
Sale of Municipal Assets		10,000.00		2,702.31	(7,297.69)
Cable TV Franchise Fees		149,400.00		149,468.95	68.95
Somerville Senior Citizen Housing Inc.		100,000.00		106,048.09	6,048.09
Desapio Contribution		76,000.00		76,000.00	-
JSM - P.I.L.O.T.		412,000.00		431,687.20	19,687.20
ERG - Contribution Debt Service		375,000.00		375,000.00	-
DSA Contribution		45,000.00		45,000.00	-
SC Social SVCS. Blvd - P.I.L.O.T.		125,000.00		128,398.26	3,398.26
COBOLT - 70 - VWD - P.I.L.O.T.		137,000.00		165,232.85	28,232.85
PILOT - RWJ University Hospital		1,311,000.00		1,311,000.00	-
Storms - 6 N. Doughty - P.I.L.O.T.		27,600.00		15,991.88	(11,608.12)
Total Miscellaneous Revenues	A-1	<u>5,824,965.65</u>	<u>277,655.31</u>	<u>6,581,831.33</u>	<u>479,220.37</u>
Receipts from Delinquent Taxes	A-1,A-2	<u>515,000.00</u>		<u>574,718.97</u>	<u>59,718.97</u>
Subtotal General Revenues		<u>6,339,955.65</u>	<u>277,655.31</u>	<u>7,156,550.30</u>	<u>538,939.34</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal purposes including Reserve for Uncollected Taxes	A-2	<u>12,764,257.00</u>		<u>14,327,032.97</u>	<u>1,562,775.97</u>
Total General Revenues		<u>20,954,212.65</u>	<u>277,655.31</u>	<u>23,333,583.27</u>	<u>\$ 2,101,715.31</u>
Non-Budget Revenues	A-1			<u>460,625.85</u>	
		<u>\$ 20,954,212.65</u>	<u>\$ 277,655.31</u>	<u>\$ 23,794,209.12</u>	
() Denotes Deficit		A-3	A-3		

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

Exhibit - A-2
 Page 2 of 2

CURRENT FUND
 STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>		
<u>Allocation of Current Tax Collections:</u>			
2019 Collections	A-7	\$ 42,022,690.26	
Prepaid Taxes Applied	A-7	268,583.68	
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-7	<u>62,940.18</u>	
	A-1		\$ 42,354,214.12
<u>Allocated to:</u>			
Local School Tax	A-12	24,322,558.00	
County Taxes	A-12	5,245,284.01	
Added County Taxes	A-12	10,370.38	
Special District Tax	A-12	<u>598,968.76</u>	
			<u>30,177,181.15</u>
			12,177,032.97
Add: Reserve for Uncollected Taxes	A-3		<u>2,150,000.00</u>
Amount for Support of Municipal Budget	A-2		<u>\$ 14,327,032.97</u>
<u>Allocation of Delinquent Tax Collections:</u>			
Collections	A-7	\$ 545,241.34	
Tax Title Liens	A-7	<u>29,477.63</u>	
	A-2		<u>\$ 574,718.97</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Operations Within "CAPS"						
<u>GENERAL GOVERNMENT:</u>						
Administrative and Executive						
Salaries and Wages	\$ 235,000.00	\$ 235,000.00	\$ 212,596.94	\$	\$ 22,403.06	
Other Expenses	344,050.00	343,450.00	204,955.35	17,827.43	120,667.22	
Borough Clerk						
Salaries and Wages	67,500.00	67,500.00	59,908.68		7,591.32	
Elections						
Salaries and Wages	2,000.00	2,000.00	279.42		1,720.58	
Other Expenses	4,000.00	4,000.00	3,750.85		249.15	
Financial Administration						
Salaries and Wages	150,000.00	150,000.00	114,213.84		35,786.16	
Other Expenses	53,000.00	53,000.00	22,775.62	3,025.00	27,199.38	
Audit	55,000.00	55,000.00		50,970.00	4,030.00	
Assessment of Taxes						
Salaries and Wages	27,300.00	27,300.00	27,061.06		238.94	
Other Expenses	4,350.00	4,350.00	1,920.90		2,429.10	
Collection of Taxes						
Salaries and Wages	85,000.00	85,000.00	70,534.79		14,465.21	
Other Expenses	12,550.00	12,550.00	9,141.72	190.00	3,218.28	
Legal Services and Costs						
Other Expenses	106,000.00	106,000.00	82,806.42	17,812.14	5,381.44	
Municipal Prosecutor						
Other Expenses	20,000.00	20,000.00	18,333.26	1,666.74	0.00	
Engineering Services and Costs						
Salaries and Wages	10,000.00	10,000.00			10,000.00	
Other Expenses	20,575.00	20,575.00	17,880.99	1,762.35	931.66	
Public Bldgs. and Grounds						
Salaries and Wages	100,000.00	100,000.00	87,552.20		12,447.80	
Other Expenses	169,300.00	169,300.00	121,303.46	28,940.23	19,056.31	
Municipal Land Use Act (N.J.S.A. 40:55D-1)						
Planning and Zoning						
Other Expenses	11,050.00	11,050.00	4,838.00		6,212.00	

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		BALANCE <u>CANCELLED</u>
				<u>ENCUMBERED</u>	<u>RESERVED</u>	
Operations Within "CAPS" (Cont'd.)	\$	164,200.00 \$	117,117.72 \$	12,954.00 \$	14,128.28 \$	
<u>GENERAL GOVERNMENT:</u>						
Department of Technology	6,250.00	6,250.00	4,125.00		2,125.00	
Other Expenses	1,124,000.00	1,104,000.00	947,010.55	106,832.18	50,157.27	
Zoning Board of Adjustment	849,500.00	849,500.00	821,827.50	31.50	27,641.00	
Other Expenses	70,000.00	70,000.00	56,688.80		13,311.20	
Insurance						
Group Insurance						
Other Insurance Premiums						
Prescription Drug/Dental Program						
<u>PUBLIC SAFETY:</u>						
Fire						
Salaries and Wages	128,000.00	128,000.00	101,870.24		26,129.76	
Other Expenses	181,700.00	181,100.00	88,287.82	75,078.64	17,733.54	
Uniform Fire Safety Act (PL 1963, Ch 383)						
Salaries and Wages	118,000.00	118,000.00	114,092.94	626.00	3,907.06	
Other Expenses	3,425.00	3,425.00	1,061.95		1,737.05	
Police						
Salaries and Wages	3,810,000.00	3,870,000.00	3,829,520.51		40,479.49	
Other Expenses	222,900.00	222,300.00	172,730.55	45,974.16	3,595.29	
First Aid Organization - Contribution	70,000.00	70,000.00	70,000.00			
Emergency Management Services						
Other Expenses	21,850.00	24,850.00	21,496.26	2,413.37	940.37	
School Crossing Guard - Contractual	210,000.00	190,000.00	163,702.78	20,975.27	5,321.95	
<u>STREETS AND ROADS:</u>						
Road Repairs and Maintenance						
Salaries and Wages	500,000.00	555,000.00	531,744.75		23,255.25	
Other Expenses	422,350.00	371,750.00	190,266.99	136,425.69	45,057.32	
Snow Removal						
Other Expenses	38,000.00	38,000.00	19,538.86	17,700.00	761.14	
Sanitary Sewer System						
Other Expenses	22,000.00	22,000.00		5,815.00	16,185.00	
Garbage and Trash Collection						
Other Expenses	810,000.00	810,000.00	615,549.87	179,418.74	15,031.39	
Recycling						
Other Expenses	140,000.00	140,000.00	63,942.42	18,346.21	57,711.37	

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>Operations Within "CAPS" (Cont'd.)</u>						
<u>HEALTH AND WELFARE:</u>						
Board of Health						
Salaries and Wages	\$ 111,500.00	\$ 111,500.00	\$ 110,672.12	\$	\$ 827.88	\$
Other Expenses	116,500.00	116,500.00	104,690.08	9,517.28	2,292.64	
Dog Regulations - Contractual						
Other Expenses	36,500.00	36,500.00	35,500.00		1,000.00	
<u>RECREATION AND EDUCATION:</u>						
Parks and Playgrounds						
Salaries and Wages	25,000.00		112,446.05	5,415.94		21,638.01
Other Expenses	119,500.00	139,500.00				
Recreation						
Salaries and Wages	125,000.00	125,000.00	108,537.89		16,462.11	
Other Expenses	129,500.00	128,900.00	110,190.23	5,817.78	12,691.99	
Celebration of Public Events						
Other Expenses	2,000.00	2,000.00				2,000.00
Municipal Court						
Salaries and Wages	31,000.00	31,000.00	29,950.96		1,049.04	
Other Expenses	224,000.00	224,000.00	216,526.32	4,379.94	3,093.74	
<u>OTHER BOARDS & COMMISSIONS</u>						
Uniform Construction Code - Appropriations						
Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)						
Department of Community Development						
Salaries and Wages	265,000.00	265,000.00	228,620.54		36,379.46	
Other Expenses	59,200.00	59,200.00	54,959.16	907.55	3,333.29	
Electrical Inspector						
Salaries and Wages	107,750.00	107,750.00	107,701.88		48.12	
Matching Funds for Grants	15,000.00	15,000.00	2,757.34		12,242.66	

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Operations Within "CAPS" (Cont'd)						
UNCLASSIFIED:						
Street Lighting	\$ 290,000.00	\$ 290,000.00	\$ 150,086.76	\$ 43,855.06	\$ 56,058.18	\$ -
Fire Hydrant Fees	160,000.00	160,000.00	134,794.68	17,670.52	7,534.80	-
Telephone	96,000.00	96,000.00	81,117.71	2,210.30	12,671.99	-
Water	25,000.00	29,000.00	24,240.63	4,527.35	232.02	-
Electricity	220,000.00	220,000.00	144,383.06	31,679.56	43,937.38	-
Gasoline	100,000.00	97,000.00	72,008.07	23,772.28	1,219.65	-
Accumulated Sick Leave						
Salaries and Wages	50,000.00	50,000.00	50,000.00	-	-	-
Total Operations Within "CAPS"	12,698,300.00	12,698,300.00	10,909,612.49	894,538.21	894,149.30	-
Contingent	1,000.00	1,000.00	-	-	1,000.00	-
Total Operations Including Contingent Within "CAPS"	12,699,300.00	12,699,300.00	10,909,612.49	894,538.21	895,149.30	-
DETAIL:						
Salaries and Wages	5,948,050.00	6,038,050.00	5,784,858.76	-	253,191.24	-
Other Expenses	6,751,250.00	6,661,250.00	5,124,753.73	894,538.21	641,958.06	-
Statutory Expenditures:						
Contribution to:						
Public Employees Retirement System	259,562.00	259,562.00	259,562.00	-	-	-
Social Security System (O.A.S.I.)	250,000.00	250,000.00	202,369.29	-	47,630.71	-
Police and Firemen's Retirement	1,012,185.00	1,012,185.00	1,012,185.00	-	-	-
State Unemployment Insurance	10,000.00	10,000.00	10,000.00	-	-	-
Defined Contribution Retirement Program	3,000.00	3,000.00	547.56	-	2,452.44	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	1,534,747.00	1,534,747.00	1,484,663.85	-	50,083.15	-
Total General Approp. for Municipal Purposes Within "CAPS"	14,234,047.00	14,234,047.00	12,394,276.34	894,538.21	945,232.45	-

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
OPERATIONS EXCLUDED FROM "CAPS":						
L.O.S.A.P. Contribution:	\$ 32,000.00	\$ 32,000.00	\$ 25,934.04	\$	\$ 6,065.96	\$
First aid Organization	100,000.00	100,000.00	61,099.96		38,900.04	
Reserve for Tax Appeals						
State and Federal Programs Offset by Revenues:						
Body Armor Grant	3,411.96	3,411.96	3,411.96			
Bulletproof Vest Program		768.17	768.17			
CDBG Handicapped Ramp, Curbs & Sidewalk Improvements	100,000.00	100,000.00	100,000.00			
CDBG Sanitary Sewer Grant		96,371.00	96,371.00			
Clean Communities		24,395.49	24,395.49			
Drunk Driving Enforcement Grant		6,941.17	6,941.17			
EMAA Grant - Office of Emergency Management		10,000.00	10,000.00			
Municipal Alcohol Education/Rehabilitation Program		4,179.48	4,179.48			
Municipal Alliance on Alcohol & Drug Abuse	11,029.36	11,029.36	11,029.36			
Recycling Tonnage Grant	13,550.33	13,550.33	13,550.33			
Somerset County - RCP Pedestrian Safety Grant Phase II	15,000.00	15,000.00	15,000.00			
Somerset County RVSA Green Acres Grant	2,500.00	2,500.00	2,500.00			
Somerset County Historical Preservation Grant	126,174.00	126,174.00	126,174.00			
Transit Village Streetscape Improvements		130,000.00	130,000.00			
Youth Service - Various Programs		5,000.00	5,000.00			
Total Operations - Excluded from "CAPS"	403,665.65	681,320.96	636,354.95		44,965.00	
DETAIL:						
Salaries and Wages						
Other Expenses						
	403,665.65	681,320.96	636,354.96		44,966.00	

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>Capital Improvements - Excluded from "CAPS":</u>						
Capital Improvement Fund	\$ 115,000.00	\$ 115,000.00	\$ 115,000.00	\$ -	\$ -	\$ -
Total Capital Improvements - Excluded from "CAPS"	115,000.00	115,000.00	115,000.00	-	-	-
<u>Municipal Debt Service - Excluded from "CAPS":</u>						
Payment of Bond Principal	1,590,000.00	1,590,000.00	1,590,000.00			
Payment of Bond Anticipation Notes	1,561,000.00	1,561,000.00	1,561,000.00			
Interest on Bonds	374,000.00	374,000.00	372,308.31			1,691.69
Interest on Notes	120,000.00	120,000.00	119,367.49			632.51
Green Trust Loan Program						
Loan Repayment for Principal and Interest	130,000.00	130,000.00	126,501.72			3,498.28
Somerset County Improvement Authority:						
Capital Lease Program:						
Capital Lease Program Principal	242,000.00	242,000.00	241,184.61			815.39
Capital Lease Program Interest	34,500.00	34,500.00	33,750.72			749.28
Total Municipal Debt Service - Excluded from "CAPS"	4,051,500.00	4,051,500.00	4,044,112.85	-	-	7,387.15

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED		UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	4,570,165.65	4,847,820.96	4,795,467.81	44,986.00	7,387.15
Subtotal General Appropriations	18,804,212.65	19,081,867.96	17,189,744.15	894,538.21	7,387.15
Reserve for Uncollected Taxes	2,150,000.00	2,150,000.00	2,150,000.00	-	-
Total General Appropriations	\$ 20,954,212.65	\$ 21,231,867.96	\$ 19,339,744.15	\$ 894,538.21	\$ 7,387.15
Ref.	A-2		A-1	A, A-1	A, A-1
Adopted Budget	\$	\$ 20,954,212.65			
Added by N.J.S.A. 40A:4-87		277,655.31			
	\$	\$ 21,231,867.96			
Disbursed		\$	16,637,665.85		
Reserve for Uncollected Taxes			2,150,000.00		
Public & Private Programs Approp.			552,078.30		
	\$	\$	19,339,744.15		

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

Exhibit B

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

ASSETS	REF.	BALANCE DEC. 31, 2019	BALANCE DEC. 31, 2018	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2019	BALANCE DEC. 31, 2018
Assessment Trust Fund:							
Cash	B-2	\$ 10,467.52	\$ 10,467.52	Assessment Trust Fund:			
Assessments Receivable	B-2	4,907.84	4,907.84	Reserve for Assessments and Liens Fund Balance	B-2	\$ 4,907.84	\$ 4,907.84
Total Assessment Trust Fund		15,375.36	15,375.36	Total Assessment Trust Fund		15,375.36	15,375.36
Animal Control Fund:							
Cash - Treasurer	B-2	36,450.38	31,784.60	Animal Control Fund:			
Total Animal Control Fund		36,450.38	31,784.60	Due to Current Fund	B-2	22,232.58	16,977.00
				Reserve to Pay Animal Control Fund Expenditures	B-2	14,217.80	14,807.60
				Total Animal Control Fund		36,450.38	31,784.60
Trust-Other Fund:							
Cash - Treasurer	B-2	3,199,380.30	3,394,596.93	Trust-Other Fund:			
Interfunds Receivable	B-2	229,510.42	229,510.42	Interfunds Payable	B-2	39,533.60	39,533.60
Accounts Receivable	B-2	8,261.00	8,261.00	Reserve for Encumbrances	B-2	115,743.66	57,576.17
CDBG Receivable	B-2	44,385.89	44,385.89	Reserve for:			
				Miscellaneous Deposits	B-2	2,250,993.45	1,897,988.07
				CDBG Expenditures	B-2	44,385.89	44,385.89
				District Management Corporation	B-2	445,482.51	445,482.51
				Unemployment Insurance Fund	B-2	80,895.69	63,460.85
				Sanitary Landfill Closure	B-2	10,444.39	10,419.38
				Builders Escrow	B-2	85,306.02	74,462.78
				Tax Redemption Trust	B-2	325,800.00	672,103.26
				Recreation Commission	B-2	113,243.76	87,572.77
				Housing Assistance Program	B-2	34,300.96	34,300.96
				Housing Assistance Program-Portables	B-2	12,496.50	30,278.19
				Law Enforcement Trust Fund	B-2	43,488.49	39,668.51
				Payroll Agency	B-2	321,967.00	177,817.97
				Credit Card Fee Accounts	B-2	2,938.20	1,703.33
Total Trust-Other Fund		3,481,537.61	3,676,754.24	Total Trust-Other Fund		3,481,537.61	3,676,754.24
				Total		\$ 3,533,363.35	\$ 3,723,914.20

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

TRUST ASSESSMENT FUND
STATEMENT OF FUND BALANCE-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>REF.</u>	
Balance - December 31, 2018	B	\$ 10,467.26
Balance - December 31, 2019	B	<u>\$ 10,467.26</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2019</u>	<u>BALANCE DEC. 31, 2018</u>
Cash	C- 2	\$ 1,944,103.64	\$ 1,564,508.23
Due from Various Grantor Agencies	C- 7	4,927,924.99	4,771,125.15
Due from Somerset County Improvement Authority	C-12	3,303.34	3,303.34
Deferred Charges to Future Taxation:			
Funded	C- 5	17,244,262.85	19,192,243.55
Unfunded	C- 6	<u>5,572,162.55</u>	<u>5,093,068.83</u>
		<u>\$ 29,691,757.37</u>	<u>\$ 30,624,249.10</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u> 			
General Serial Bonds Payable	C-10	\$ 11,940,000.00	\$ 13,530,000.00
NJEIT Loan Payable	C-11	3,826,427.91	3,943,224.00
SCIA Leases Payable	C-16	1,477,834.94	1,719,019.55
Bond Anticipation Notes	C- 9	3,715,000.00	3,990,000.00
Improvement Authorizations:			
Funded	C-8	2,568,734.82	4,287,933.24
Unfunded	C-8	2,849,047.06	1,326,525.58
Reserve for Encumbrances Payable	C-8	655,876.65	190,441.74
Reserve for Payment of Future Debt Service ERG	C-13	948,525.61	831,305.61
Reserve for Payment of Future Debt Service	C-14	503,264.48	529,764.48
Reserve for Grants Receivable	C-15	866,167.00	
Capital Improvement Fund	C- 4	68,011.83	19,256.83
Fund Balance	C- 1	<u>272,867.07</u>	<u>256,778.07</u>
		<u>\$ 29,691,757.37</u>	<u>\$ 30,624,249.10</u>
 Bonds and Notes Authorized but not Issued	 C-17	 <u>\$ 1,857,162.55</u>	 <u>\$ 1,103,068.83</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
 STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>REF.</u>	
Balance - December 31, 2018	C	\$ 256,778.07
Increased by:		
Premium on BAN Sale	C-2	<u>16,089.00</u>
Balance - December 31, 2019	C	<u>\$ 272,867.07</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

ASSETS		BALANCE DEC. 31, 2019	BALANCE DEC. 31, 2018	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2019	BALANCE DEC. 31, 2018
Operating Fund:							
Cash and Investments - Treasurer	D-5	\$ 1,615,430.75	\$ 1,680,624.97	Operating Fund:			
Change Fund	D-6	50.00	50.00	Liabilities:			
Interfunds Receivable	D-14	522,864.63	481,007.75	Appropriation Reserves	D-4, D-12	\$ 363,254.77	\$ 246,696.62
				Reserve for Encumbrances	D-4, D-12	99,994.00	178,604.47
				Rent Overpayments	D-9	17,521.86	7,172.80
				Prepaid Sewer Charges	D-10	2,311.23	8,599.61
				Accrued Interest	D-23	1,161.74	
Receivables With Full Reserves:		2,138,345.38	2,141,682.72				
Consumer Accounts Receivable	D-8	289,812.13	282,879.64	Reserve for Receivables	Reserve	484,263.60	441,073.50
Sewer Utility Liens	D-11	1,850.00	1,850.00	Fund Balance	D-1	291,662.13	284,729.64
		291,662.13	284,729.64			1,654,081.78	1,700,609.22
Total Operating Fund		2,430,007.51	2,426,412.36	Total Operating Fund		2,430,007.51	2,426,412.36
Capital Fund:							
Cash and Investments - Treasurer	D-5	\$ 595,867.82	\$ 158,316.02	Bond Anticipation Notes	D-16	442,000.00	
Fixed Capital	D-13	3,360,258.40	3,253,953.09	Improvement Authorizations			
Fixed Capital - Authorized and Uncompleted	D-15	368,785.40	297,384.74	Funded	D-17	8,407.92	65,544.89
				Unfunded	D-17	315,339.68	144,968.59
				Encumbrances Payable	D-17	45,037.80	64,577.00
				Capital Improvement Fund	D-18	65,000.00	54,000.00
				Down Payment on Improvements	D-19	732.00	732.00
				Due to Sewer Operating Fund	D-20	511,285.59	449,428.71
				Reserve for Amortization	D-21	2,580,727.78	2,580,727.78
				Deferred Reserve for Amortization	D-22	355,316.02	346,398.52
				Fund Balance	D-2	1,064.83	3,276.36
Total Capital Fund		4,324,911.62	3,709,653.85	Total Capital Fund		4,324,911.62	3,709,653.85
		\$ 6,754,919.13	\$ 6,136,066.21			\$ 6,754,919.13	\$ 6,136,066.21

Bonds and Notes Authorized but not issued at December 31, 2019 and 2018 were \$351,000.00 and \$624,211.53, respectively. (Exhibit D-24)

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

SEWER UTILITY OPERATING FUND
 COMPARATIVE STATEMENT OF OPERATIONS AND
 CHANGE IN FUND BALANCE-REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2019</u>	<u>YEAR 2018</u>
Fund Balance	D-3	\$ 165,000.00	\$ 158,316.02
Sewer Rents	D-3	2,669,041.08	2,801,177.70
Miscellaneous	D-3	226,394.81	378,165.13
Unexpended Balance of Approp. Reserves	D-12	7,036.67	329,614.42
		<u>3,067,472.56</u>	<u>3,667,273.27</u>
 <u>EXPENDITURES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	D-4	235,000.00	225,000.00
Other Expenses	D-4	2,650,000.00	2,331,800.00
Capital Improvements	D-4	20,000.00	20,000.00
Statutory Expenditures and Deferred Charges	D-4	44,000.00	181,516.02
		<u>2,949,000.00</u>	<u>2,758,316.02</u>
Excess in Revenues		118,472.56	908,957.25
<u>FUND BALANCE</u>			
Balance - January 1	D	<u>1,700,609.22</u>	<u>949,967.99</u>
		1,819,081.78	1,858,925.24
Decreased by:			
Utilized as Anticipated Revenue in Current Fund			
Utilization as Anticipated Revenue	D- 1	<u>165,000.00</u>	<u>158,316.02</u>
Balance - December 31	D	<u>\$ 1,654,081.78</u>	<u>\$ 1,700,609.22</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

SEWER UTILITY CAPITAL FUND
 STATEMENT OF FUND BALANCE-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>REF.</u>	
Balance - December 31, 2018	D	\$ 3,276.36
Decreased by:		
Fixed Capital Auth and Uncompleted Cancelled from prior year	D-15	<u>2,211.53</u>
Balance - December 31, 2019	D	<u>\$ 1,064.83</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

SEWER UTILITY OPERATING FUND
 STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>REF.</u>	2019 <u>BUDGET</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Fund Balance	D-1	\$ 165,000.00	\$ 165,000.00	\$
Sewer Use Charges	D-1	2,775,000.00	2,669,041.08	(105,958.92)
Miscellaneous	D-1	<u>9,000.00</u>	<u>226,394.81</u>	<u>217,394.81</u>
		<u>\$ 2,949,000.00</u>	<u>\$ 3,060,435.89</u>	<u>\$ 111,435.89</u>
	<u>Ref.</u>	D-4		
Analysis of Realized Revenues:				
Analysis of Sewer Use Charges:				
Sewer Use Collections	D-8		\$ 2,654,127.95	
Overpayments Applied	D-8		6,313.52	
Prepays Applied	D-8		<u>8,599.61</u>	
			<u>\$ 2,669,041.08</u>	
Analysis of Miscellaneous Revenues:				
Connection Fees			\$ 174,000.00	
Interest on Delinquent Taxes			40,359.37	
Interest on Investments			<u>12,035.44</u>	
	D-5		<u>\$ 226,394.81</u>	

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Operating:						
Salaries and Wages	\$ 235,000.00	\$ 235,000.00	\$ 204,635.94	\$ 30,364.06	\$	\$ 30,364.06
Other Expenses	380,000.00	380,000.00	232,740.36	15,395.00		131,864.64
Share of Costs	2,120,000.00	2,120,000.00	1,967,337.99			152,662.01
NJDEP/ACO	150,000.00	150,000.00	17,036.94	84,599.00		48,364.06
Capital Improvements:						
Capital Improvement Fund	20,000.00	20,000.00	20,000.00			
Statutory Expenditures:						
Contribution to:						
Public Employee's Retirement System	26,000.00	26,000.00	26,000.00			
Social Security System (O.A.S.I.)	18,000.00	18,000.00	18,000.00			
Total Sewer Utility Appropriations	\$ 2,949,000.00	\$ 2,949,000.00	\$ 2,485,751.23	\$ 99,994.00	\$ 363,254.77	\$ -
Ref:	D-3		D-1	D,D-1		D, D-1
Disbursed			\$ 2,485,751.23			
			\$ 2,485,751.23			

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

PARKING UTILITY FUND
COMPARATIVE BALANCE SHEET-REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

ASSETS	REF.	BALANCE DEC. 31, 2019	BALANCE DEC. 31, 2018	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2019	BALANCE DEC. 31, 2018
Operating Fund:							
Cash and Investments - Treasurer	E-4	\$ 1,126,649.47	\$ 765,780.23				
		<u>1,126,649.47</u>	<u>765,780.23</u>				
				Operating Fund:			
				Liabilities:			
				Appropriation Reserves	E-3	\$ 165,681.05	\$ 134,409.38
				Reserve for Encumbrances	E-3	103,174.26	99,298.88
				Accounts Payable	E-5	<u>6,500.00</u>	
				Fund Balance	E-1	275,355.31	233,708.26
						<u>851,294.16</u>	<u>532,071.97</u>
Total Operating Fund		\$ <u>1,126,649.47</u>	<u>765,780.23</u>	Total Operating Fund		\$ <u>1,126,649.47</u>	<u>765,780.23</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

PARKING UTILITY OPERATING FUND
 STATEMENT OF OPERATIONS AND
 CHANGE IN FUND BALANCE-REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2019</u>	<u>YEAR 2018</u>
Parking Meters	E-2	\$ 699,503.51	\$ 662,142.70
Parking Permits	E-2	28,248.41	33,803.38
Parking Deck Fees	E-2	48,640.00	
Miscellaneous	E-2	12,643.02	4,570.94
Unexpended Balance of Approp. Reserves	E-5	<u>206,687.25</u>	<u>231,276.22</u>
 Total Revenues		 <u>995,722.19</u>	 <u>931,793.24</u>
 <u>EXPENDITURES</u>			
Budget Appropriations:			
Operating:			
Salaries and Wages	E-3	155,000.00	175,000.00
Other Expenses	E-3	499,500.00	407,500.00
Statutory Expenditures and Deferred Charges	E-3	<u>22,000.00</u>	<u>27,000.00</u>
 Total Expenditures		 <u>676,500.00</u>	 <u>609,500.00</u>
 Excess in Revenues		 319,222.19	 322,293.24
 <u>FUND BALANCE</u>			
Balance - January 1	E	<u>532,071.97</u>	<u>209,778.73</u>
Balance - December 31	E	<u>\$ 851,294.16</u>	<u>\$ 532,071.97</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

PARKING UTILITY OPERATING FUND
 STATEMENT OF REVENUES-REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>REF.</u>	2019 <u>BUDGET</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Parking Meters	E-1,E-4	\$ 650,000.00	\$ 699,503.51	\$ 49,503.51
Parking Permits	E-1,E-4	26,500.00	28,248.41	1,748.41
Parking Deck Fees	E-1,E-4		48,640.00	48,640.00
Miscellaneous	E-1,E-4		12,643.02	12,643.02
		<u>\$ 676,500.00</u>	<u>\$ 789,034.94</u>	<u>\$ 112,534.94</u>

Ref. E-3

Analysis of Realized Revenues:

 Analysis of Parking Meters:

Parking Meters - Parking Utility	E-4	<u>\$ 699,503.51</u>
		<u>\$ 699,503.51</u>

Analysis of Miscellaneous Revenues:

Interest on Investments	E-4	\$ 6,868.98
Other	E-4	<u>5774.04</u>
		<u>\$ 12,643.02</u>

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

PARKING UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE	
				ENCUMBERED	RESERVED	ENCUMBERED	CANCELLED
Operating:							
Salaries and Wages	\$ 155,000.00	\$ 155,000.00	\$ 141,632.42	\$	\$ 13,367.58	\$	\$
Other Expenses	499,500.00	499,500.00	244,012.27	103,174.26	152,313.47		
Statutory Expenditures:							
Contribution to:							
Public Employee's Retirement System	12,000.00	12,000.00	12,000.00				
Social Security System (O.A.S.I.)	10,000.00	10,000.00	10,000.00				
Total Parking Utility Appropriations	\$ 676,500.00	\$ 676,500.00	\$ 407,644.69	103,174.26	\$ 165,681.05	\$	\$
				E-1, E-4	E, E-1	E, E-1	
	Ref.	E-2					

Note: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
 PUBLIC ASSISTANCE TRUST FUND
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

	<u>REF.</u>	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
<u>ASSETS:</u>			
Due to/from Trust Other Fund - PATF 1	F-1	<u>\$ 25,533.60</u>	<u>\$ 25,533.60</u>
 <u>LIABILITIES AND RESERVES:</u>			
Reserve for Public Assistance: Public Assistance Trust Fund I	F-2	<u>\$ 25,533.60</u>	<u>\$ 25,533.60</u>

Note: See Accompanying Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS
 REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

	<u>BALANCE DEC. 31, 2019</u>	<u>BALANCE DEC. 31, 2018</u>
Governmental Fixed Assets:		
Land	\$ 10,571,500.00	\$ 10,571,500.00
Buildings/Improvements	10,498,600.00	10,498,600.00
Equipment	<u>8,709,707.00</u>	<u>8,181,487.00</u>
Total Governmental Fixed Assets	<u>\$ 29,779,807.00</u>	<u>\$ 29,251,587.00</u>
Investment in Governmental Fixed Assets	<u>\$ 29,779,807.00</u>	<u>\$ 29,251,587.00</u>

Notes: See Notes to Financial Statements

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 1: FORM OF GOVERNMENT

The Borough of Somerville operates under the legislative Borough of N.J.S.A. 40A:60-1 et seq., which provides for the election of a mayor to serve a term of four years and a council of six members serving three-year terms. At its annual meeting, the council elects a president of the council who shall preside at all its meetings when the mayor is not present. The mayor is the head of the municipal government and the council is the legislative body. The Borough has adopted an administrative code, which provides for the delegation of a portion of executive responsibilities to an administrator and the organization of the council into standing committees to oversee various Borough activities.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Somerville include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Somerville, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Somerville do not include the operations of the municipal library.

B. Description of Funds

The accounting policies of the Borough of Somerville conform to the accounting principles applicable to municipalities that have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Somerville accounts for its financial transactions through the following separate funds:

Current Fund - resources and expenditures for governmental operations of a general nature, including Federal and State grant funds, except as otherwise noted.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purposes for which each reserve was created. Pursuant to the provisions of N.J.S.A. 40A:4-39, the financial transactions of the following funds and accounts are also reported within the Trust Fund:

- Trust Assessment Fund
- Animal Control Trust Fund
- Unemployment Compensation Insurance Trust Fund
- Dedicated Law Enforcement Trust Fund
- Developer's Escrow Fund
- Payroll Fund
- Community Development Block Grant Fund

General Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

Sewer Operating and Capital Funds – account for the operations and acquisition of capital facilities of the municipally-owned Sewer Fund.

Parking Utility Operating Fund – account for the operations of the municipally-owned Parking Utility.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

B. Description of Funds (Cont'd.)

Governmental Fixed Assets - the Governmental Fixed Asset System is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available or any other reasonable basis, provided such basis is adequately disclosed in the financial statements. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles (GAAP) for state and local governments. GAAP provides for the issuance of entity-wide financial statements along with the presentation of separate fund financial statements that differ from the organization of funds prescribed under the regulatory basis of accounting utilized by the Borough. The resultant presentation of financial position and results of operations in the form of financial statements is not intended to present the basic financial statement presentation required by GAAP.

C. Basis of Accounting

Basis of Accounting and Measurement Focus - The basis of accounting as prescribed by the Division of Local Government Services for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a "current financial resources" measurement focus. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The most significant is the reporting of entity-wide financial statements, which are not presented in the accounting principles prescribed by the Division. The other more significant differences are as follows:

Revenues - Revenues are recorded as received in cash except for statutory reimbursements and grant funds which are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the Borough's budget. Receivables for property taxes and water and sewer consumer charges are recorded with offsetting reserves within the Current Fund. Other amounts that are due to the Borough which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable.

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Borough's "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refers to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Expenditures (Cont'd.) - Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP. For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of overexpenditures to succeeding budgets.

In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

Compensated Absences - The Borough has adopted written policies via employee contracts and municipal ordinances which set forth the terms under which an employee may accumulated earned, but unused, vacation and sick leave, establishes the limits on such accumulations and specifies the conditions under which the right to receive payment for such accumulations vests with the employee. The Borough records expenditures for payments of earned and unused vacation and sick leave in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources.

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the general fixed asset account group at the lower of cost or fair market value.

Sale of Municipal Assets - Cash proceeds from the sale of Borough owned property are reserved until utilized as an item of anticipated revenue in a subsequent year budget. Year-end balances of such proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of sales contracts become legally enforceable.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the accounting period the receivables are liquidated. GAAP does not require the establishment of offsetting reserves. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories are not included on the various balance sheets. Although the expenditure method of accounting for purchases of supplies is in accordance with GAAP, the cost of inventory on hand at the close of the year should be reported on the balance sheet with an offsetting reserve for conformity with GAAP.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Fixed Assets - Property and equipment purchased by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. Contributions in aid of construction are not capitalized.

Governmental Fixed Assets – New Jersey Administrative Code 5:30-5.6 established a mandate for fixed asset accounting by municipalities, effective December 31, 1985, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of Governmental Fixed Assets of the Borough as part of the basic financial statements. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

No depreciation has been provided for in the financial statements.

Accounting for utility fund "fixed capital" remains unchanged under the requirements of regulation 5:30-5.6.

Property and equipment purchased by the Sewer Utility Fund are recorded in the capital account as cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized the balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the cost of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

Grants Received – Federal and state grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's Budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Length of Service Awards Program (LOSAP)

Financial reporting standards established by the DLGS exclude the financial information relating to a LOSAP program from the scope of the statutory audit. Accordingly, financial information relating to the Borough's LOSAP program, a deferred income program created pursuant to Section 457 of the Internal Revenue Code for the benefit of the members of the volunteer fire company and volunteer first aid and rescue squad, is not reported as part of the Borough's basic financial statements. As the LOSAP Plan's assets remain the property of the Borough until withdrawn by participants, GAAP requires that the Plan's financial information be included in the Borough's basic financial statements. See Note 11 regarding the availability of LOSAP Plan financial information.

Disclosures About Pension Liabilities - The Borough has included information relating to its allocated shares of the net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in Note 7 and the accompanying required supplementary information. As the Borough does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Disclosures About OPEB Liabilities - With the implementation of GASB 75 for disclosure purposes, the Borough has included information for OPEB (Postemployment Benefits Other Than Pensions) liabilities relating to healthcare benefits provided to its retirees within the Notes to the Financial Statements and the accompanying required supplementary information, if applicable. As the Borough does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the OPEB liability of the defined benefit healthcare plans in which its retirees are enrolled. GAAP requires the recognition of the OPEB liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

Disclosures About Fair Value of Financial Instruments - The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and short-term investments - The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt - The Borough's long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Borough's long-term debt is provided in Note 3 to the financial statements.

Recent Accounting Standards

GASB issued Statement No. 88 "Certain Disclosures Relate to Debt, Including Direct Borrowings and Direct Placements" in April 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" in June 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

GASB issued Statement No. 90 "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61" in August 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Recent Accounting Standards (cont'd.)

GASB issued Statement No. 91 "Conduit Debt Obligations" in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

The Borough does not prepare its financial statements in accordance with generally accepted accounting principles. The adoption of these new standards will not adversely affect the reporting on the Borough's financial condition.

Comparative Data - Comparative data for the prior year has been presented in order to provide an understanding of changes on the Borough's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain reclassifications have been made to the fiscal year 2018 financial statements to conform to classifications used in fiscal year 2019.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

The Local Bond Law, Chapter 40A:2 et seq, governs the issuance of bonds to finance municipal capital expenditures. The Borough's debt is summarized as follows:

A. Summary of Municipal Debt for Capital Projects

	2019	2018
<u>Issued:</u>		
General:		
Bonds and Notes	\$ 15,655,000.00	\$ 17,520,000.00
S.C.I.A. Capital Leases	1,477,834.94	1,719,019.55
NJEIT Loans	3,826,427.91	3,943,224.00
Sewer Utility		
Bonds and Notes	442,000.00	
Net Issued	21,401,262.85	23,182,243.55
<u>Authorized But Not Issued:</u>		
General:		
Bonds and Notes	1,857,162.55	1,103,068.83
Sewer Utility		
Bonds and Notes	351,000.00	624,211.53
Total Authorized But Not Issued	2,208,162.55	1,727,280.36
Net Bonds and Notes Issued and Authorized but not Issued	\$ 23,609,425.40	\$ 24,909,523.91

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

A. Summary of Municipal Debt for Capital Projects (Cont'd.)

Summarized below are the Borough's individual bond and loan issues which were outstanding at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>General Debt:</u>		
\$3,360,000, County Guaranteed Governmental Loan Revenue Bonds Series 2010B in annual installments of \$190,000 to \$265,000 through Oct. 1, 2024, interest at 3.25% to 4.00 %.	\$ 1,250,000.00	\$ 1,515,000.00
\$3,640,000, County Guaranteed Governmental Loan Revenue Bonds Series 2010C in annual installments of \$210,000 to \$285,000 through Oct. 1, 2024, interest at 5.00% to 5.25 %.	1,350,000.00	1,635,000.00
\$5,340,000, General Improvement Bonds of 2012, due in annual installments of \$400,000 to \$475,000 through Sept. 15, 2026, interest at 2.00% to 2.375%	3,000,000.00	3,395,000.00
\$1,465,000, County Guaranteed Governmental Loan Revenue Refunding Bonds Series 2010C in annual installments of \$250,000 to \$295,000 through Aug. 1, 2021, interest at 4.00 %.	545,000.00	840,000.00
\$6,770,000, General Obligation Bonds of 2016, due in annual installments of \$375,000 to \$600,000 through Feb. 15, 2031, interest at 1.500% to 3.000%	5,795,000.00	6,145,000.00
Bond Anticipation Notes - Mature 11/06/19 @ 3.00%		3,990,000.00
Bond Anticipation Notes - Mature 11/05/20 @ 1.75%	<u>3,715,000.00</u>	<u> </u>
Subtotal - Serial Bond Debt and BAN's for Capital Projects Outstanding December 31	<u>15,655,000.00</u>	<u>17,520,000.00</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

A. Summary of Municipal Debt for Capital Projects (Cont'd.)

Summarized below are the Borough's individual bond and loan issues which were outstanding at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>Loans Outstanding:</u>		
SCIA Capital Equipment Lease - 2014	\$ 39,096.71	\$ 116,075.65
SCIA Capital Equipment Lease - 2015	59,191.92	117,160.12
SCIA Capital Equipment Lease - 2016 - Parking Lot Project	750,000.00	780,000.00
SCIA Capital Equipment Lease - 2016 - Fire Truck	629,546.31	705,783.78
NJEIT Loan - 2016	<u>3,826,427.91</u>	<u>3,943,224.00</u>
Subtotal - Loans Outstanding	<u>5,304,262.85</u>	<u>5,662,243.55</u>
Subtotal General Debt	<u>20,959,262.85</u>	<u>23,182,243.55</u>
<u>Sewer Utility Debt:</u>		
Bond Anticipation Notes - Mature 11/05/20 @ 1.75%	<u>442,000.00</u>	
Total Outstanding Debt	<u>\$ 21,401,262.85</u>	<u>\$ 23,182,243.55</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of:

<u>2019</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 13,300,000.00	\$ 13,300,000.00	\$ -
Sewer Utility Debt	793,000.00	793,000.00	-
General Debt	<u>22,816,425.40</u>	<u>1,451,790.09</u>	<u>21,364,635.31</u>
	<u>\$ 36,909,425.40</u>	<u>\$ 15,544,790.09</u>	<u>\$ 21,364,635.31</u>

Net Debt \$21,364,635.31 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$1,267,900,300.00 = 1.69%

<u>2018</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$14,755,000.00	\$14,755,000.00	\$0.00
Sewer Utility Debt	624,211.53	624,211.53	\$0.00
General Debt	<u>24,285,312.38</u>	<u>1,361,070.09</u>	<u>\$22,924,242.29</u>
	<u>\$39,664,523.91</u>	<u>\$16,740,281.62</u>	<u>\$22,924,242.29</u>

Net Debt \$22,924,242.29 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$1,246,259,343.00 = 1.84%

The Borough's Borrowing Power Under N.J.S.A. 40A:2-6 as Amended, at December 31, was as follows:

	<u>2019</u>	<u>2018</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	<u>\$44,376,510.50</u> <u>21,364,635.31</u>	<u>\$43,619,077.01</u> <u>22,924,242.29</u>
Remaining Borrowing Power	<u>\$23,011,875.19</u>	<u>\$20,694,834.72</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. Summary of Statutory Debt Condition - Annual Debt Statement

Calculation of "Self-Liquidating Purpose"
Sewer Utility Per N.J.S.A. 40A: 2-45

	<u>2019</u>	<u>2018</u>
Cash Receipts From Fees, Rents or Other Charges for the year	\$ 3,060,435.88	\$ 3,337,658.85
Deductions:		
Operating and Maintenance Costs	2,905,000.00	2,576,800.00
Debt Service	<u>44,000.00</u>	<u>181,516.02</u>
Excess in Revenue	<u>\$ 111,435.88</u>	<u>\$ 579,342.83</u>

The difference between the excess in revenues for debt statement purposes and the excess in revenues on a cash basis for the Sewer Utility Fund is as follows:

Excess in Revenues - Cash Basis (E-1)	\$ 118,472.55	\$ 908,957.25
Deduct - Reserves Lapsed	<u>7,036.67</u>	<u>329,614.42</u>
Excess in Revenues per Debt Statement	<u>\$ 111,435.88</u>	<u>\$ 579,342.83</u>

C. Schedule of General Capital Annual Debt Service for Principal and Interest for the Bonded Debt Issued and Outstanding at December 31, 2019

<u>Calendar Year</u>	<u>Principal</u>	<u>General Interest</u>	<u>Total</u>
2020	\$ 1,620,000.00	\$ 326,027.50	\$ 1,946,027.50
2021	1,595,000.00	277,183.75	1,872,183.75
2022	1,370,000.00	228,065.00	1,598,065.00
2023	1,395,000.00	187,633.75	1,582,633.75
2024	1,265,000.00	145,071.25	1,410,071.25
2025	925,000.00	108,456.25	1,033,456.25
2026	925,000.00	88,268.75	1,013,268.75
2027	525,000.00	67,925.00	592,925.00
2028	550,000.00	57,175.00	607,175.00
2029	570,000.00	43,837.50	613,837.50
2030	600,000.00	27,000.00	627,000.00
2031	<u>600,000.00</u>	<u>9,000.00</u>	<u>609,000.00</u>
Total	<u>\$ 11,940,000.00</u>	<u>\$ 1,565,643.75</u>	<u>\$ 13,505,643.75</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

D. Loan Agreements

Capital Equipment and Improvement Revenue Bonds, Series 2014

The Borough entered into a capital equipment lease agreement with the Somerset County Improvement Authority - Capital Equipment and Improvement Revenue Bonds, Series 2014 in the amount of \$296,083.52 for the acquisition of 5 year capital equipment. The loan obligation was due in five bi-annual installments and remaining principal payment of \$39,096.71 with an interest rate of 2.10%.

Capital Equipment and Improvement Revenue Bonds, Series 2015

The Borough entered into a capital equipment lease agreement with the Somerset County Improvement Authority - Capital Equipment and Improvement Revenue Bonds, Series 2015 in the amount of \$229,526.03 for the acquisition of 5 year capital equipment. The loan obligation was due in five bi-annual installments and remaining principal payments spread over a two year period with amounts ranging from \$29,441.39 through \$29,750.53 with an interest rate of 2.10%.

Capital Equipment and Improvement Revenue Bonds, Series 2016

The Borough entered into a capital equipment lease agreement with the Somerset County Improvement Authority - Capital Equipment and Improvement Revenue Bonds, Series 2016 in the amount of \$830,000.00 for the Parking Lot Project. The loan obligation was due in twenty annual installments with remaining principal payments spread over a seventeen year period with amounts ranging from \$30,000.00 through \$65,000.00 and interest rates ranging from 0.91% through 2.45%.

Capital Equipment and Improvement Revenue Bonds, Series 2016

The Borough entered into a capital equipment lease agreement with the Somerset County Improvement Authority - Capital Equipment and Improvement Revenue Bonds, Series 2016 in the amount of \$808,000.00 for the Purchase of a Fire Truck. The loan obligation was due in twenty bi-annual installments and remaining principal payments spread over an eight year period with amounts ranging from \$37,066.82 through \$38,763.19 with an interest rate 2.25%.

The SCIA Loans above have been included in the calculation of the Borough's statutory debt condition.

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Note 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2019 and 2018 were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2019 and 2018 as follows:

	<u>Fund Balance December 31, 2019</u>	<u>Utilized in Succeeding Budget</u>
Current Fund	\$9,645,804.11	\$4,340,000.00
Sewer Utility Fund	1,654,081.78	137,000.00
Parking Utility Fund	851,294.16	175,000.00
	<u>Fund Balance December 31, 2018</u>	<u>Utilized in Succeeding Budget</u>
Current Fund	\$7,896,304.75	\$1,850,000.00
Sewer Utility Fund	1,700,609.22	165,000.00
Parking Utility Fund	532,071.97	None

Note 5: DEPOSITS AND INVESTMENTS

The Borough considers change funds, cash in banks and certificates of deposit as cash and cash equivalents.

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five (5) percent of the average daily balance of collected public funds; or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent, to secure the deposits of governmental units.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At December 31, 2019 and 2018, the book value of the Borough's deposits were \$21,874,550.49 and \$18,325,828.57 and the bank balances of the Borough's cash and deposits amounted to \$21,926,936.20 and \$18,559,724.60, respectively. Of the bank balance, during 2019 and 2018, \$407,850.27 and \$408,177.80 was FDIC insured and \$21,519,085.93 and \$18,151,546.80 were GUDPA insured.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 5: DEPOSITS AND INVESTMENTS (CONT'D.)

Deposits (Cont'd.)

At December 31, 2019, the Borough has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Borough has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Rate Risk of its cash and investments.

- (a) Custodial Credit Risk – The Borough's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but no in the depositor-governments name. The deposit risk is that, in the event of the failure of a depository financial institution, the Borough will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Borough's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Borough and are held by either: the counterparty or the counterparty's trust department or agent but not in the Borough's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Borough will not be able to recover the value of the investment or collateral securities that in possession of an outside party.
- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments that Borough has with any one issuer that exceeds 5 percent or more of its total investments. Investment issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- (c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Borough does not have an investment policy regarding Credit Risk except to the extent outlined under the Borough's investment policy. The New Jersey Cash Management Fund is not rated.
- (d) Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of December 31, 2019, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amounts of the Borough's bank balances were considered exposed to custodial credit risk. In addition, based upon the existing deposit and investment practices, the Borough is generally not exposed to credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risks for its deposits and investments

Investments

New Jersey statutes permit the Borough to purchase the following types of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 5: DEPOSITS AND INVESTMENTS (CONT'D.)

Investments (Cont'd.)

2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
5. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of the Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Investments generally are shown by type, carrying amount, market value and level of risk assumed in the holding of the various securities, where applicable. At year-end, the Borough maintained its invested funds in various money market and sweep accounts included in the above categorization of the Borough's deposits.

<u>Cash & Cash Equivalents:</u>	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>
Change Fund	\$450.00	\$450.00
Demand Accounts	<u>21,874,100.49</u>	<u>18,325,378.57</u>
Total Cash & Cash Equivalents	<u>\$21,874,550.49</u>	<u>\$18,325,828.57</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 6: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District and County the tax rate is struck by the board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector on or before May 13th.

Tax bills are prepared and mailed by the Collector of Taxes of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The New Jersey Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amount delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% may be charged against the delinquency. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

Note 7. PENSION PLANS

Description of Plans - The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

A. Public Employees' Retirement System (PERS) - The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS -- REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Note 7. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Inactive plan members or beneficiaries currently receiving benefits	178,748	174,904
Inactive plan members entitled to but not yet receiving benefits	609	589
Active plan members	<u>252,598</u>	<u>254,780</u>
 Total	 <u>431,955</u>	 <u>430,273</u>
 Contributing Employers	 1,697	 1,708
Contributing Nonemployers -	1	-

Significant Legislation – Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pursuant to the provision of, P.L. 2011, Chapter 78, COLA increases were suspended for all current and future retirees of PERS.

Payrolls and Covered Wages - For the year ended December 31, 2019 and 2018 the Borough's total payroll for all employees was \$6,621,255 and \$6,428,028, respectively. Total PERS covered payroll was \$2,057,662 and \$1,916,916, respectively. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018 and 7.50% for State fiscal year 2019, commencing July 1, 2018. The most recent increase completed the phase-in referred to above. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended December 31, 2019 and 2018 were \$297,562 and \$296,371, respectively. Borough Contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contribution requirements were calculated. Borough payments to PERS for the years ending December 31, 2019 and 2018 consisted of the following:

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 7. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

	<u>2019</u>	<u>2018</u>
Normal Cost	\$ 34,310	\$ 35,746
Amortization of Accrued Liability	<u>227,761</u>	<u>222,598</u>
Total Pension	262,071	258,344
NCGI Premiums	<u>12,484</u>	<u>13,238</u>
Total Regular Billing	274,555	271,582
LTD Expense	999	2,903
Additional Billings:		
Ch. 19, P.L. 2009	<u>22,008</u>	<u>21,886</u>
Total PERS Payment	<u>\$ 297,562</u>	<u>\$ 296,371</u>

Ch. 19, P.L. 2009 billings reflect the recoupment of the 50% deferral of normal and accrued liability costs due on April 1, 2009. The law set a fifteen-year repayment schedule for the deferred amount, with additional annual adjustments to reflect the return on investment of actuarial net assets of the plan on deferred principal balances.

The Borough recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62, and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 7. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Borough does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2019, the PERS reported a net pension liability of \$18,018,482,972 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Employer Group that is attributable to the Borough was \$4,750,558 or .026364919%. At June 30, 2018, the PERS reported a net pension liability of \$19,689,501,539 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's net pension liability for the Non-State Employer Member Group that is attributable to the Borough was \$5,434,781 or .02760243%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation rate:	
Price	2.25%
Wage	3.25%
Salary Increases:	2.00-6.00%
Through 2026	Based on years of service
Thereafter	3.00-7.00%
	Based on years of service
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and a 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on Pub-2010 General Below-Median Income Employee mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and a 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Note 7. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liabilities of PERS was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate – The following presents the collective net pension liability of the participating employers as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease <u>(5.28%)</u>	At current discount rate <u>(6.28%)*</u>	At 1% increase <u>(7.28%)</u>
State	\$26,475,719,181	\$23,012,420,340	\$20,102,167,445
Local	<u>22,918,608,260</u>	<u>18,143,832,135</u>	<u>14,120,406,763</u>
PERS Plan Total	<u>\$49,394,327,441</u>	<u>\$41,156,252,475</u>	<u>\$34,222,574,208</u>
Borough's proportionate share of the net pension liability	<u>\$6,009,424</u>	<u>\$4,750,558</u>	<u>\$3,689,786</u>

*- Local Share includes \$125,349,163 of Special Funding Situation allocated to the State of NJ as a non-employer.

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Note 7. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

Components of Net Pension Liability – The components of the collective net pension liability for PERS, including the State of New Jersey, at June 30, 2019 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$29,512,766,255	\$41,491,463,886	\$71,004,230,141
Plan Fid. Net Position	<u>6,500,345,915</u>	<u>23,347,631,751</u>	<u>29,847,977,666</u>
Net PERS Pension Liability	<u>\$23,012,420,340</u>	<u>\$18,143,832,135</u>	<u>\$41,156,252,475</u>

At December 31, 2018, the Borough's deferred outflow of resources and deferred inflow of resources related to PERS were from the following sources, if GASB 68 was recognized:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expended and actual experience	\$85,266	\$20,986
Change in assumptions	474,361	1,648,904
Net difference between projected and actual earnings		
On pension plan investments		74,989
Changes in proportion and differences between Borough		
Contributions and proportionate share of contributions	336,636	676,911
Borough contributions subsequent to the measurement date	<u>297,562</u>	-
Total	<u>\$1,193,825</u>	<u>\$2,421,790</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – \$297,562 is reflected above as deferred outflows of resources related to pensions resulting from Borough contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2019	(\$300,349)
2020	(460,939)
2021	(454,270)
2022	(280,934)
2023	<u>(29,035)</u>
Total	<u>(\$1,525,527)</u>

Additional Information

Collective balances at June 30, 2019	
Collective deferred outflows of resources	\$3,149,522,616
Collective deferred inflows of resources	7,645,087,574
Collective net pension liability – Local group	18,143,832,135
Borough's Proportion	0.026364919%

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Note 7. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2019 and 2018 was \$974,471,686 and \$1,099,708,157, respectively. The average of the expected remaining service lives of all plan members is 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

State Contribution Payable Dates

State Contribution Payable Dates

Chapter 83, P.L. 2016 requires the State to make pension contributions on a quarterly basis: at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30. As such, contributions are assumed to be made on a quarterly basis with the first contribution 15 months after the associated valuation date.

Local employer's contributions are expected to be paid on April 1st, 21 months after the associated valuation date.

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2019 and June 30, 2018 are \$1,038,892,124 and \$1,073,054,740, respectively.

B. Police and Firemen's Retirement System (PFRS)

The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police or firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Inactive plan members or beneficiaries currently receiving benefits	44,567	43,755
Inactive plan members entitled to but not yet receiving benefits	42	39
Active plan members	<u>42,295</u>	<u>41,517</u>
Total	<u>86,904</u>	<u>85,311</u>
Contributing Employers –	584	586
Contributing Nonemployers -	1	-

Significant Legislation - Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Note 7. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (cont'd):

The State Legislature adopted L. 2018, c. 55 in July 2018, which transferred management of PFRS from the New Jersey Department of Treasury, Division of Pensions and Benefits to a newly constituted twelve-member PFRS Board of Trustees. The new PFRS Board, which was established in February 2019 per the legislation, has more power and authority as compared to the former PFRS Board of Trustees. In addition to overseeing the management of PFRS, the new PFRS Board will also have the authority to direct investment decisions, to adjust current benefit levels and to change member and employer contribution rates. With regard to changes in current benefit provisions, such changes can only be made with the approval of a supermajority of eight (8) of the twelve (12) members of the new PFRS Board. Also, benefit enhancement can only be made if an independent actuary certifies that the benefit enhancements will not jeopardize the long-term viability of PFRS. Under prior law, benefit enhancements, including the reinstatement of COLA for retirees, could only be considered when the funded level of the pension fund reaches 80%. An actuarial certification was also required that the funded levels would remain at or above 80% over a 30-year period following the benefit enhancement.

In accordance with L. 2018, c. 55, the new PFRS Board will also have the authority to formulate investment policies and direct the investment activities of the PFRS. The PFRS Board has proposed regulations for adoption governing the methods, practices, and procedures for investment or reinvestments of money of PFRS.

For the year ended December 31, 2019 and 2018 the Borough's total payroll for all employees was \$6,621,255 and \$6,428,028, respectively. Total PFRS covered payroll was \$3,567,353 and \$3,403,842, respectively. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was 10% in State fiscal year 2019. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended December 31, 2019 and 2018 were \$1,012,185 and \$936,053, respectively. Borough Contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contribution requirements were calculated. Borough payments to PFRS for the years ending December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Normal Cost	\$ 304,051	\$ 277,992
Amortization of Accrued Liability	<u>627,865</u>	<u>578,710</u>
Total Pension	931,916	856,702
NCGI Premiums	<u>36,798</u>	<u>36,074</u>
Total Regular Billing	968,714	895,776
Additional Billings: Ch. 19, P.L. 2009	<u>43,471</u>	<u>43,277</u>
Total PFRS Payment	\$ <u>1,012,185</u>	\$ <u>936,053</u>

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits, which vest after four years of service.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 7. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (cont'd):

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years, but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Borough does not recognize pension liabilities for any current or prior period until fiscal period in which such payments will become due and payable.

At June 30, 2019, the PFRS reported a net pension liability of \$12,237,818,793 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State, Non-Special Funding Situation Employer Member Group was \$12,496,280 or 0.1021119870%. At June 30, 2018, the PFRS reported a net pension liability of \$13,531,648,591 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$13,408,002 or 0.0990862418%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through all future years	3.25-15.25%
	Based on years of service
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and a 102.5% adjustment for females, with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and a 96.0% adjustment for females, with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis.

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Note 7. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (cont'd):

Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and a 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 6.85% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2076. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2076 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Note 7. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (cont'd):

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate – The following presents the collective net pension liability of the participating employers as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<u>At 1% Decrease (5.85%)</u>	<u>At current discount rate (6.85%)*</u>	<u>At 1% increase (7.85%)</u>
State	\$ 4,914,378,549	\$ 4,201,687,763	\$ 3,612,283,063
Local	<u>19,152,938,066</u>	<u>14,170,193,618</u>	<u>10,046,254,662</u>
PFRS Plan Total	<u>\$24,067,316,615</u>	<u>\$18,371,881,381</u>	<u>\$13,658,537,725</u>
Borough's proportionate share of the net pension liability	<u>\$17,584,259</u>	<u>\$12,496,280</u>	<u>\$8,285,244</u>

*- Local Share includes \$1,932,374,825 of Special Funding Situation allocated to the State of NJ as a non-employer.

Components of Net Pension Liability – The components of the net pension liability for PFRS, including the State of New Jersey, at June 30, 2019 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 5,682,770,577	\$40,481,531,749	\$46,164,302,326
Plan Fiduciary Net Position	<u>1,481,082,814</u>	<u>26,311,338,131</u>	<u>27,792,420,945</u>
Net PFRS Pension Liability	<u>\$ 4,201,687,763</u>	<u>\$14,170,193,618</u>	<u>\$18,371,881,381</u>

At December 31, 2019, the Borough's deferred outflow of resources and deferred inflow of resources related to PFRS were from the following sources, if GASB 68 was recognized:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expensed and actual experience	\$105,485	\$79,116
Change in assumptions	428,191	4,038,683
Net difference between projected and actual earnings		
On pension plan investments		169,321
Changes in proportion and differences between Borough		
Contributions and proportionate share of contributions	612,049	217,680
Borough contributions subsequent to the measurement date	<u>1,012,185</u>	<u>—</u>
Total	<u>\$2,157,910</u>	<u>\$4,504,800</u>

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Note 7. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (cont'd):

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – \$1,012,185 is reflected above as deferred outflows of resources related to pensions resulting from Borough contributions subsequent to the measurement date. Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2020	(\$578,915)
2021	(1,241,458)
2022	(887,846)
2023	(443,482)
2024	<u>(207,374)</u>
Total	<u>\$(3,359,075)</u>

Additional Information

Collective balances at June 30, 2019

Collective deferred outflows of resources	\$1,198,936,924
Collective deferred inflows of resources	4,874,748,912
Collective net pension liability – Local group	14,170,193,818

Borough's Proportion	0.102111987%
----------------------	--------------

Collective pension expense for the Local Group for the measurement period ended June 30, 2019 and 2018 is \$1,325,963,796, and \$1,270,762,352, respectively. The average of the expected remaining service lives of all plan members is 5.92, 5.73, 5.59, 5.58, and 5.53 years for 2019, 2018, 2017, 2016, and 2015, respectively.

State Contribution Payable Dates

Chapter 83, P.L. 2016 requires the State to make pension contributions on a quarterly basis: at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30. As such, contributions are assumed to be made on a quarterly basis.

Local employer's contributions are expected to be paid on April 1st, 21 months after the associated valuation date.

Receivable Contributions

The Fiduciary Net Position (FNP) includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2019 and June 30, 2018 are \$1,105,874,849 and \$1,089,730,202, respectively.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 7. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (cont'd):

Special Funding Situation

The Borough is responsible for the actuarially determined annual contributions to the PFRS, except where legislation was passed that legally obligates the State if certain circumstances occur. A special funding situation exists for the Local employers of the PFRS. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers based upon the provisions of several legislative actions. The provisions of GASB Statement No. 68 define this these relationship as a "special funding situation", and the State of New Jersey is defined as a "non-employer contributing entity".

Unaudited data provided by the PFRS indicates that the total Non-employer contributions made to the PFRS by the State for the year ended June 30, 2019 was \$130,202,000. The portion of that contribution allocated to the Borough was \$132,952, or 0.102111987%. The June 30, 2019 State special funding situation pension expense of \$224,526,138 was actuarially determined and represents the required contribution due from the State for the year. The special funding situation net pension liability under the special funding situation was reported at \$1,932,374,825 at June 30, 2019 and represents the accumulated difference between the actuarially determined annual contributions required and the actual State contributions through the valuation date. The Borough's allocated shares of the special funding situation pension expense for the year ended June 30, 2019 and its share of the special funding situation NPL at that date were \$229,268 and \$1,973,186, respectively.

C. Defined Contribution Retirement System (DCRP):

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually.

Contribution Requirement and Benefit Provisions - State and local government employers contribute 3% of the employees' base salary. Active members contribute 5.5% of base salary.

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Note 7. PENSION PLANS (CONT'D.)

C. Defined Contribution Retirement System (DCRP) (cont'd):

For the year ended December 31, 2019 and 2018 the Borough's total payroll for all employees was \$6,621,255 and \$6,428,028, respectively. Total DCRP covered payroll was \$13,520 and \$26,510, respectively. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan. Borough and employee contributions to the DCRP for the year ended December 31, 2019 were \$406 and \$744, respectively and for the year ended December 31, 2018 were \$1,047 and \$1,458, respectively.

D. Cumulative PERS and PFRS Deferred Outflows of Resources and Deferred Inflows of Resources

	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$ 4,750,558	\$896,263	\$2,421,790	\$4,413
PFRS	<u>12,496,280</u>	<u>1,145,725</u>	<u>4,504,800</u>	<u>1,191,385</u>
Total	<u>\$ 17,246,838</u>	<u>\$2,041,988</u>	<u>\$6,926,590</u>	<u>\$1,195,798</u>

Note 8: POST-RETIREMENT HEALTH CARE BENEFITS

Plan Description: The Borough of Somerville contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents.

Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In order to receive health benefits, retirees must have been enrolled in the pension system for 25 years. All active full time employees are covered by the SHBP.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website www.state.nj.us/treasury/pensions.

Funding Policy: Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994.

The Borough of Somerville contributions to SHBP for the year ended December 31, 2019 were \$3,782.52, which equaled the required contributions for the year. There was 1 retired participant eligible at December 31, 2019.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 8: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D)

Plan Description and Benefits Provided:

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission.

Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer.

Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L., 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Total OPEB Liability

Special Funding Situation

The State of New Jersey's Total OPEB Liability for special funding situation was \$5,525,718,739 and \$6,213,844,492 at June 30, 2019 and 2018, respectively.

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 8: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D)

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

The amount of the State's proportionate share of the net OPEB liability for special funding situation attributable to employees and retirees of the Borough of Somerville was \$11,677,170 and \$13,557,801 at June 30, 2019 and 2018, respectively.

Nonspecial Funding Situation:

The State of New Jersey's Total OPEB Liability for nonspecial funding situation was \$8,020,352,361 and \$9,452,773,649 at June 30, 2019 and 2018, respectively.

The amounts of the State's Non-employer OPEB Liability that are attributable to employees and retirees of the Borough of Somerville was \$4,360,616 and \$5,294,690 at June 30, 2019 and 2018, respectively. These allocated liabilities represent 0.032191% and 0.033796% of the State's Total Non-employer OPEB Liability for June 30, 2018 and 2017, respectively.

Components of Net OPEB Liability – The components of the collective net OPEB liability for PERS, including the State of New Jersey, at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total OPEB Liability	\$13,819,244,582	\$15,981,103,227
Plan Fiduciary Net Position	<u>273,173,482</u>	<u>314,485,086</u>
Net OPEB Liability	<u>\$13,546,071,100</u>	<u>\$15,666,618,141</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.98%	1.97%

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 8: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D)

Actuarial Assumptions and Other Inputs:

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in.

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%

Mortality:

PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

* Salary increases are based on years of service within the respective plan.

100% of active members are considered to participate in the Plan upon retirement.

Healthcare Trend Assumptions:

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

Discount Rate:

The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 8: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D)

Sensitivity of the State's Net OPEB Liability to Changes in the Discount Rate:

The following presents the collective net OPEB liability of the participating employers as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease <u>(2.50%)</u>	At Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Total Net OPEB Liability	\$15,662,704,137	\$13,546,071,100	\$11,826,026,995
Borough's Share	\$5,041,981	\$4,360,616	\$3,8066,916

Sensitivity of the State's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the net OPEB liability as of June 30, 2019, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability	\$11,431,214,644	\$13,546,071,100	\$16,243,926,531
Borough's Share	\$3,679,822	\$4,360,616	\$5,229,082

At June 30, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience		\$1,275,214
Changes of assumptions		1,545,305
Changes in proportion		<u>1,186,871</u>
Net difference between projected and actual investment earnings on OPEB plan investments	<u>\$ 3,592</u>	
Total	<u>\$3,592</u>	<u>\$4,007,390</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending</u>	<u>Amount</u>
2020	\$(676,257)
2021	(676,257)
2022	(676,557)
2023	(677,032)
2024	(677,424)
Thereafter	<u>(620,271)</u>
Total	<u>\$ (4,003,798)</u>

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 9: ACCRUED SICK AND VACATION BENEFITS

Under the existing policy of the Borough, employees are allowed to accumulate unused sick pay over the life of their working careers which may be taken as time off or paid at a later date up to a maximum number of days as specified by contract. It is estimated that the cost of such unpaid sick pay would approximate \$1,883,942 and \$1,712,613 for 2019 and 2018. This amount represents the current value of all accumulations, and is not intended to portray amounts that would be recorded under GAAP. Expenditures for payment of accrued sick and vacation benefits are recorded in the period in which payments are made as part of the current year's operating budget appropriations.

Note 10: RISK MANAGEMENT

The Borough, together with other governmental units, is a member of the Statewide Insurance Fund (the Fund). The Fund, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. The Fund's governing board based upon actuarial and budgetary requirements calculates payments to the Fund. Each participant in the Fund is jointly and severably obligated for any deficiency in the amount available to pay all claims. Lines of coverage provided by the Fund include property; boiler and machinery; equipment floater; auto physical; blanket bond; auto liability; general liability; law enforcement liability; public official liability and worker compensation and employer liability.

At December 31, 2018, the Fund reported for all years' combined, total assets of \$48,828,931, liabilities and expenses of \$35,421,697, which includes loss reserves of \$34,910,768 and net position for all years of \$13,407,234. This is the latest available information.

New Jersey Unemployment Compensation Insurance – The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following table is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough's trust fund for the 2019 and the previous two years.

<u>Fiscal Year</u>	<u>Borough Contributions And Interest</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019	\$9,687.72	\$7,747.12	\$	\$80,895.69
2018	4,296.15	7,358.43		63,460.85
2017	4,287.50	7,355.24	2,049.72	51,806.27

Note 11: LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

The Borough has authorized a Length of Service Award Program (LOSAP) pursuant to section 457 (e) of the Internal Revenue Code and P.L. 1997, C. 388 as amended by P.L. 2001, C. 272 of the Statutes of New Jersey. The program provides for fixed annual contributions to a deferred income account for volunteer firefighters and first aid and rescue squad members who meet specified service criteria. The Borough sponsors the Program, which is administered by a private contractor. The LOSAP Program is subject to an annual review in accordance with AICPA standards for attestation engagements. LOSAP review reports are available in the office of the Borough Clerk during scheduled working hours.

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Note 12: COMMITMENTS AND CONTINGENCIES

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2019, the Borough does not believe that any material liabilities will result from such audits.

Contractual Commitments

As of December 31, 2019, the Borough of Somerville was a party to various construction contracts and commitments that totaled \$655,877 in its General Capital Fund. Parks and Playgrounds with total commitments of \$5,635; Road improvements with total commitments of \$533,795; Master Plan/Redevelopment Plan with total commitments of \$13,000; window restorations with total commitments of \$25,840; park improvements with total commitments of \$22,216; and miscellaneous other projects with total commitments of \$55,391.

Litigation

As of the date of this report, the Borough has litigation pending that traditionally would be covered through the procurement of liability insurance coverage's.

Note 13: DEFERRED COMPENSATION

The Borough has instituted a Deferred Compensation Plan pursuant to section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of New Jersey. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations. The Borough has engaged a private contractor to administer the plan.

Note 14: INTERFUNDS

The following interfund balances remained on the balance sheet date at December 31, 2019:

Fund:	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$ 22,232.58	\$ 1,371,673.97
Grant Fund	1,144,584.51	
Animal Control Fund		22,232.58
Trust Other Fund	229,510.42	39,533.60
Public Assistance Fund	25,533.60	
Sewer Operating Fund	522,864.63	
Sewer Capital Fund	<u>-</u>	<u>511,285.59</u>
Total	<u>\$1,944,725.74</u>	<u>\$1,944,725.74</u>

These interfund balances are not an indication that the respective fund cannot meet its obligation. The interfund amounts are reflective of year-end closing journals and adjustments. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Note 15: LONG TERM TAX EXEMPTIONS

The Borough provides for long-term tax exemptions, as authorized and permitted by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Borough are predominately for affordable housing projects. Taxes abated include municipal, local school and county taxes. The Borough is required to remit five percent (5.00%) to the County for any payments received in lieu of taxes (PILOT payments). The Borough PILOT billings in 2019 were \$612,911.88 and taxes in 2019 that otherwise would have been due on these long-term tax exemptions amounted to \$1,248,651.05, based upon the assessed valuations of the long-term tax exemptions properties.

Note 16: GOVERNMENTAL FIXED ASSETS

The Borough's governmental fixed assets are reported as follows:

	<u>Balance Dec. 31, 2018</u>	<u>Balance Dec. 31, 2019</u>
Land	\$10,571,500	\$10,571,500
Buildings/Improvements	10,498,600	10,498,600
Equipment	<u>8,181,487</u>	<u>8,709,707</u>
	<u>\$29,251,587</u>	<u>\$29,779,807</u>

Note 17: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after December 31, 2019 through the date of July 6, 2020, which is the date the financial statements were available to be issued. Based on this evaluation, the Borough has determined the following subsequent event has occurred which requires disclosure in the financial statements.

Subsequent to year end, the COVID-19 (coronavirus) pandemic has resulted in substantial economic volatility on a global scale. As a result, the Borough's economically sensitive revenues (i.e. property taxes, sewer utility collections, interest earnings, fees, state and federal aid) might be negatively impacted. Collection rates on real property taxes might be slowed as unemployment rates are expected to spike. Meanwhile, the Borough's expenditures for public safety and health service functions and pension benefits (due to stock market declines) would all be expected to increase sharply. None of these factors were taken into consideration in the development of the fiscal year 2020 adopted budget. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the actual impact on the Borough's financial position at this time.

The following bond ordinances were authorized:

The Borough appropriated \$350,000 therefore authorized the issuance of \$332,500 Bond and/or Notes dated April 20, 2020, for Various Sewer Utility Improvements.

The Borough appropriated \$7,250,000 therefore authorized the issuance of \$7,250,000 Bond and/or Notes dated July 6, 2020, for the Construction of a Parking Garage.

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

PART II

**SINGLE AUDIT SECTION
YEAR ENDED DECEMBER 31, 2019**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Somerville
County of Somerset, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis Borough of Somerville, County of Somerset, New Jersey as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements and have issued our report thereon dated July 6, 2020. Our report was modified due to the departure from accounting principles generally accepted in the United States of America, as disclosed in Note 2, that are embodied in the Other Comprehensive Basis of Accounting Utilized for financial statements presentations and was unmodified based upon that Other Comprehensive Basis of Accounting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Somerville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Somerville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Somerville's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is *less severe* than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Somerville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Borough of Somerville in the General Comments section of the Report of Audit.

We also noted other matters involving compliance and internal control over financial reporting that we have reported to management of the Borough of Somerville in the General Comments section of the Report of Audit.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
A division of PKF O'Connor Davies
Certified Public Accountants
Registered Municipal Accountants

Cranford, New Jersey
July 6, 2020

HODULIK & MORRISON, P.A.

A division of



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL ASSISTANCE REQUIRED BY OMB UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Somerville
County of Somerset, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Borough of Somerville, County of Somerset, New Jersey compliance with the types of compliance requirements described in the "OMB Compliance Supplement" that could have a direct and material effect on each of the Borough of Somerville's major federal and state programs for the year ended December 31, 2019. The Borough of Somerville's major federal and state programs are identified in the Summary of Auditor's Results Section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, and grants applicable to the federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Somerville's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; audit requirements as prescribed by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants and State Aid. Those standards, Uniform Guidance and New Jersey OMB's Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Somerville's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

20 Commerce Drive, Suite 301, Cranford, NJ 07016
Tel: 908.272.6200 | Fax: 908.272.2416

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Borough of Somerville's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Borough of Somerville, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Borough of Somerville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of Somerville's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with *The Uniform Guidance* but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Somerville's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey OMB 15-08. Accordingly, this report is not suitable for any other purpose.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
A division of PKF O'Connor Davies
Certified Public Accountants
Registered Municipal Accountants
Cranford, New Jersey
July 6, 2020

Borough of Somerville
 County of Somerset
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2019

Federal Funding Department	CFDA Number	Total Award	Pass Through Account No.	Grant Period	Cash Receipts	Expenditures	Memo Cumulative at December 31, 2019
Indirect Awards:							
Passed Through County of Somerset:							
Community Development Block Programs:							
Sanitary Sewer	14.218	\$ 84,245.00		2017	\$ 84,245.00	\$ 84,245.00	\$ 84,245.00
Handicapped Ramp, Curbs & Sidewalks	14.218	100,000.00		2019	4,292.50	4,292.50	4,292.50
Direct Programs:							
Department of Justice							
Federal Bulletproof Partnership Program	16.607	1,351.10		2014	955.80	955.80	955.80
Department of Homeland Security							
FEMA Fire Apparatus	97.044	194,250.00		2018	185,000.00	194,250.00	194,250.00
Department of Environmental Protection							
NJ Environmental Infrastructure Trust - 2016 - Trust	66.458	3,943,224.00		2016	258,278.52	258,278.52	3,580,507.04
U.S. Department of Housing and Urban Development:							
Section 8 Program:					-	258,278.52	3,580,507.04
Low Income Housing Assistance Program - Vouchers	14.871	2,314,455.00	NJ39V097013/026	2018	2,296,673.31	2,314,455.00	2,314,455.00
Total Expenditures of Federal Awards							
					2,296,673.31	2,314,455.00	2,314,455.00
					\$ 2,565,918.31	\$ 2,856,476.82	\$ 6,178,705.34

Footnotes:

Grant Award/Amount Reflects Current Year Awards

NOTE: See accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

STATE FUNDING DEPARTMENT AND DESCRIPTION	STATE ACCOUNT NUMBER	GRANT PERIOD	PROGRAM OR AWARD AMOUNT	RECEIPTS OR REVENUE RECOGNIZED	EXPENDITURES	MEMO CUMULATIVE EXPENDITURES
Direct Funding:						
Dept. of Environmental Protection						
2016 Clean Communities Program	042-4900-765-004-16	01/01/16-12/31/16	\$ 26,928.97	\$	6,938.62	\$ 26,760.89
2017 Clean Communities Program	042-4900-765-004-17	01/01/17-12/31/17	22,877.85		9,238.90	22,400.73
2018 Clean Communities Program	042-4900-765-004-18	01/01/18-12/31/18	21,892.93		6,185.25	6,185.25
2019 Clean Communities Program	042-4900-765-004-19	01/01/19-12/31/19	24,395.49			
Recycling Tonnage Grant	042-4910-100-224-16	01/01/16-12/31/16	15,456.23			10,511.12
Recycling Tonnage Grant	042-4910-100-224-19	01/01/19-12/31/19	13,550.33	13,550.33		
Green Acres Loan		01/01/18-12/31/18	573,355.00		20,507.56	22,735.89
Hazardous Discharge Site Remediation Fund (HDSRF)	P38794,P39541, P40958	Infinite	12,285,890.00	560,559.91	483,394.74	10,340,547.40
Hazardous Discharge Site Remediation Fund (HDSRF)		01/01/18-12/31/18	455,730.00		57,462.07	57,462.07
Dept. of Health						
Alcohol Education & Rehab. Fund	098-9735-760-001-16	01/01/16-12/31/16	1,692.08			1,626.33
Alcohol Education & Rehab. Fund	098-9735-760-001-17	01/01/17-12/31/17	3,217.00			
Alcohol Education & Rehab. Fund	098-9735-760-001-18	01/01/18-12/31/18	7,469.71	7,469.71		
Alcohol Education & Rehab. Fund	098-9735-760-001-19	01/01/19-12/31/19	4,179.48			
Dept. of Transportation						
Highway Safety Fund	078-6100-100-051	01/01/18-12/31/18	1,254.63		715.00	878.08
Department of Transportation Ord #2550	078-6320-480-AMQ	infinite	853,536.00		211,650.26	211,650.26
NJ Historic Trust						
NJ Historical Preservation Grant	unavailable	01/01/17-12/31/17	77,267.00		53,946.13	53,946.13
Indirect Funding:						
County of Somerset						
Municipal Alliance Program	082-2000-100-044-16	07/01/15-06/30/16	11,029.36			7,808.92
Municipal Alliance Program	082-2000-100-044-17	07/01/16-06/30/17	13,786.70			13,723.06
Municipal Alliance Program	082-2000-100-044-18	07/01/17-06/30/18	13,786.70		12,846.32	13,101.36
Municipal Alliance Program	082-2000-100-044-19	07/01/18-06/30/19	13,786.70			
				\$ 581,579.95	\$ 862,884.65	\$ 10,788,737.49

NOTE: See accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

BOROUGH OF SOMERVILLE
COUNTY OF SOMERSET, NEW JERSEY

NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
DECEMBER 31, 2019

NOTE 1: GENERAL

The accompanying schedule of expenditures of federal awards and state financial assistance present the activity of all federal and state financial assistance programs of the Borough of Somerville. The Borough of Somerville is defined in Note 1(A) to the financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards and state financial assistance is presented using the modified accrual basis of accounting as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (OCBOA), which differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units and as detailed in the Notes to the Financial Statements. The federal and state award expended amounts included in the respective expenditure schedules do not reflect amounts encumbered, which encumbered amounts are considered as expended as reported in the NJ OCBOA financial statements. In addition, the Borough has elected not to use the 10 percent de minimis indirect cost rate under the Uniform Guidance and has not charged any indirect costs to its funded programs.

NOTE 3: RELATIONSHIP TO GENERAL FINANCIAL STATEMENTS

Unless specifically noted, the amounts reported in the accompanying schedules agree with amounts reported in the Borough of Somerville's financial statements.

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Unless specifically required, the amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports, where required.

NOTE 5: FEDERAL AND STATE LOANS OUTSTANDING

The federal and state loans outstanding at December 31, 2019, which are not required to reported on the schedules of expenditures of federal and state awards, are as follows:

<u>Loan Program</u>	<u>Total</u>
State of New Jersey EIT – IBank	\$3,826,427.91

BOROUGH OF SOMERVILLE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section 1 - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on the financial statements: Unmodified (OCBOA)

Internal Control over financial reporting:

1) Material weakness(es) identified? Yes X No

2) Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to basic financial statements noted? Yes X No

Federal Awards

Internal Control over major programs:

1) Material weakness(es) identified? Yes X No

2) Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

 CFDA Number
 14.871

 Name of Federal Program
 HUD Section 8 Low Income Housing
 Assistance Program - Vouchers

Dollar threshold used to distinguish between Type A and B programs: \$750,000.00

Auditee qualified as low-risk auditee? X Yes No

BOROUGH OF SOMERVILLE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule C
 Page 2 of 3

State Awards

Dollar threshold used to distinguish between Type A and B programs: \$750,000.00

Auditee qualified as low-risk auditee? _____ Yes X No

Type of auditor's report issued on compliance for major programs: Unmodified

Internal Control over major programs:

1) Material weakness(es) identified? _____ Yes X No

2) Significant deficiency(ies) identified? _____ Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08 as applicable? _____ Yes X No

Identification of major programs:

GMS Number(s)	Name of State Program
P38794, P39541, P40958	Hazardous Discharge Site Remediation Fund Municipal Grant Prog - NJEDA

BOROUGH OF SOMERVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule C
Page 3 of 3

Section II - Financial Statement Findings

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance related to the general-purpose financial statements that are required to be reported in accordance with chapter 5.18 of *Government Auditing Standards*.

Significant Deficiency(ies)/Material Weaknesses

None noted.

Noncompliances

None noted.

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. Code of Federal Regulations Part 200 and NJ OMB Circular 15-08.

Federal and State Award Programs:

Significant Deficiency(ies)/Material Weaknesses:

None noted.

Noncompliance:

None noted.

BOROUGH OF SOMERVILLE
COUNTY OF SOMERSET, NEW JERSEY
SUMMARY SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section 1 – Summary of Prior Year Federal Findings

SUMMARY OF PRIOR YEAR FINDINGS

None

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

**PART III
SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2019**

Current Fund

SCHEDULE OF CURRENT FUND CASH AND INVESTMENTS - TREASURER

	REF.	<u>CURRENT FUND</u>
Balance - December 31, 2018	A	\$ 10,719,300.07
Increased by Receipts:		
Taxes Receivable	A-7	\$ 42,022,690.26
Prepaid Property Taxes	A-7	356,259.23
Delinquent Taxes	A-7	574,718.97
Due from State of N.J. - Ch. 73, P.L. 1976	A-8	46,250.00
Various Payables and Reserves	A-10	28,035.26
Miscellaneous Revenue Anticipated	A-11	5,997,687.92
Revenue Accounts Receivable	A-11	34,822.45
Miscellaneous Revenue Not Anticipated	A-11	460,625.85
Interfund Loans Received/Returned	A-13	891,218.57
Tax Overpayments	A-15	<u>5,999.33</u>
		<u>50,418,307.84</u>
		61,137,607.91
Decreased by Disbursements:		
Budget Expenditures	A- 3	16,637,665.85
Various Payables and Reserves	A-10	5,100.00
Taxes Payable	A-12	30,177,181.15
Interfund Loans Disbursed/Returned	A-13	490,701.54
2018 Appropriation Reserves	A-14	456,171.61
Tax Overpayments	A-15	<u>25,037.15</u>
		<u>47,791,857.30</u>
Balance - December 31, 2019	A	<u>\$ 13,345,750.61</u>

SCHEDULE OF CHANGE FUNDS
CURRENT FUND

<u>DEPARTMENT</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2019</u>
Collector	\$ 50.00	\$ 50.00
Clerk	25.00	25.00
Police	50.00	50.00
Construction Code	25.00	25.00
Municipal Court	100.00	100.00
Vital Statistics	50.00	50.00
Recreation	100.00	100.00
	<u>\$ 400.00</u>	<u>\$ 400.00</u>

Ref. A A

SCHEDULE OF MAINTENANCE LIENS RECEIVABLE
CURRENT FUND

	<u>Ref.</u>	
Balance - December 31, 2018	A	\$ 1,512.00
Balance - December 31, 2019	A	<u>\$ 1,512.00</u>

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2018	Added Taxes and Levy	Collected 01/01/19 - 12/31/19	State Veterans' and Senior Citizens' Deductions	Transferred to Tax Title Liens	Adjustments and Cancelled	Balance Dec. 31, 2019
2018	\$ 663,312.35	\$	\$ 545,241.34	\$	\$	\$ 118,071.01	\$
2019		43,020,218.73	268,583.68	62,940.18	60,143.55	20,002.09	585,858.97
	\$ 663,312.35	\$ 43,020,218.73	\$ 268,583.68	\$ 62,940.18	\$ 60,143.55	\$ 138,073.10	\$ 585,858.97
Ref.	A	Below	A	A-8	A-7	Reserve	A
			Prepaid Taxes		A-4		
					A		

Analysis of 2019 Property Tax Levy:	
General Purpose Tax:	
General Property Tax	\$ 42,936,786.47
Added Taxes	83,430.26
Tax Levy:	\$ 43,020,218.73
Local District School Tax Levy	A-12 \$ 24,322,558.00
Special District Taxes	A-12 598,968.76
County Tax	A-12 5,245,284.01
County Added and Omitted	A-12 10,370.38
	\$ 30,177,181.15
	\$ 43,020,218.73

Local Taxes:	
Municipal Purposes	A-2 \$ 12,764,257.33
Added taxes	78,780.25
	12,843,037.58
	\$ 43,020,218.73

Tax Title Lien Activity:	
Tax Title Lien Balance - December 31, 2018	A \$ 265,692.03
Transferred from Taxes Receivable	A-7 60,143.55
Interest and Cost on Taxes	Res 3,650.58
Cash Receipts	A-4 (29,477.63)
Tax Title Lien Balance - December 31, 2019	A \$ 299,908.53

Current Year Tax Collections:	
N.J. Senior Cit. & Vets.	A-2 \$ 62,940.18
Prepaid Taxes - 2018	A-2 268,583.68
Current Year Collections	A-2 42,022,690.26
	A-1 \$ 42,354,214.12

Delinquent Collections:	
Prior Year Taxes/TTL	A-2 \$ 574,718.97
	A-1 \$ 574,718.97

SCHEDULE OF DUE FROM STATE OF NEW JERSEY
PER CH. 129, P.L. 1976 - CURRENT FUND

	<u>REF.</u>		
Balance - December 31, 2018	A		\$ 5,639.04
Increased by:			
Deductions Allowed Per Tax Billings	A-8	\$ 48,000.00	
2019 Deductions Allowed by Collector	A-8	15,940.18	
			63,940.18
			69,579.22
Decreased by:			
Cash Receipts	A-4	46,250.00	
2019 Deductions Disallowed by Collector	A-8	1,000.00	
			47,250.00
Balance - December 31, 2019	A		\$ 22,329.22
 <u>Analysis of Realized Revenue for 2019:</u>			
Deductions Allowed Per Tax Billings	A-8	\$ 48,000.00	
2019 Deductions Allowed by Collector	A-8	15,940.18	
2019 Deductions Disallowed by Collector	A-8	1,000.00	
Realized as Revenue - 2019	A-7		\$ 62,940.18

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2018	A	\$ 28,500.00
Balance - December 31, 2019	A	<u>\$ 28,500.00</u>

CURRENT FUND
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLES & RESERVES

	BALANCE DEC. 31, 2018	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE DEC. 31, 2018
Reserve for:				
Master Plan	\$ 10,000.00	\$ -	-	\$ 10,000.00
Property Revaluation	2,200.00			2,200.00
Sale of Municipal Assets	24,299.45			24,299.45
Tax Appeals	30,351.80	28,035.26	5,100.00	53,287.06
Library Surplus	14,220.00			14,220.00
Subtotal	<u>81,071.25</u>	<u>28,035.26</u>	<u>5,100.00</u>	<u>104,006.51</u>
Total	<u>\$ 81,071.25</u>	<u>\$ 28,035.26</u>	<u>\$ 5,100.00</u>	<u>\$ 104,006.51</u>

<u>Ref.</u>	A	A-4	A-4	A
-------------	---	-----	-----	---

CURRENT FUND
SCHEDULE OF NONBUDGET REVENUES & VARIOUS ACCOUNTS RECEIVABLES

	BALANCE DEC. 31, 2018	ACCRUED/ ADJUSTMENTS	CASH RECEIPTS	BALANCE DEC. 31, 2019
Revenue Accounts Receivable:				
Fines and Costs - Municipal Court	\$ 34,822.45	\$ 36,152.55	\$ (34,822.45)	\$ 36,152.55
	34,822.45	36,152.55	(34,822.45)	36,152.55
Non - Budget Revenue:				
Administrative Fees		103,074.23	(103,074.23)	
Assessment Fees		5,039.62	(5,039.62)	
Homestead Rebate Mail Reimb		574.20	(574.20)	
Landlord Registration Fees		43,281.00	(43,281.00)	
Library Facility Reimb Costs as Host		27,438.00	(27,438.00)	
Marriage/ Civil Union Ceremonies		525.00	(525.00)	
Miscellaneous		40,751.81	(40,751.81)	
2019 FD Annual Aid		12,000.00	(12,000.00)	
Miscellaneous Fees and Permits		16,300.00	(16,300.00)	
PILLOT		207,887.83	(207,887.83)	
Police Reports		2,829.16	(2,829.16)	
Senior Citizens & Veterans Deduct. - Admin. Fee		925.00	(925.00)	
	-	460,625.85	(460,625.85)	-
Total	\$ 34,822.45	\$ 496,778.40	\$ (495,448.30)	\$ 36,152.55
	Ref.	A	Reserve	A-4
	Ref.	A	A-4	A
Analysis of Miscellaneous Revenues:				
Account Receivable Collections		\$ 34,822.45		
Current Year Collections		5,997,687.92		
Subtotal		6,032,510.37		
Grants Realized - Grant Fund		549,320.96		
		\$ 6,581,831.33		

CURRENT FUND
SCHEDULE OF TAXES PAYABLE

	BALANCE DEC. 31, 2018	TAXES LEVIED	CASH DISBURSEMENTS	BALANCE DEC. 31, 2019
County - General	\$ -	\$ 5,245,284.01	\$ 5,245,284.01	\$ -
County - Added & Omitted	-	10,370.38	10,370.38	-
Local School Taxes	-	24,322,558.00	24,322,558.00	-
Special District Taxes	-	598,968.76	598,968.76	-
Total	\$ -	\$ 30,177,181.15	\$ 30,177,181.15	\$ -
<u>Ref.</u>	A	A-1,A-2,A-7	A-4	A

CURRENT FUND
STATEMENT OF INTERFUNDS RECEIVABLE/ PAYABLE

	BALANCE DEC. 31, 2018	CASH RECEIPTS	CASH DISBURSEMENTS	ADJUSTMENTS	BALANCE DEC. 31, 2019
Interfunds:					
Grant Fund	\$ 741,310.14	\$ 891,218.57	\$ 490,701.54	\$ 2,757.34	\$ 1,144,584.51
Animal Control Trust Fund	(16,977.00)			(5,255.58)	(22,232.58)
Other Trust Fund	215,510.42				215,510.42
Sewer Operating Fund	11,579.04				11,579.04
Interfunds Receivable	(16,977.00)				(22,232.58)
Interfunds Payable	968,399.60				1,371,673.97
Total	\$ 951,422.60	\$ 891,218.57	\$ 490,701.54	\$ (2,498.24)	\$ 1,349,441.39
	<u>Ref.</u>	A	A-4	A-4	A
Grant Revenue Realized	A-2			\$ (549,320.96)	
Grant Appropriations Realized	A-3			552,078.30	
Due from Animal Control	A-1			(5,255.58)	
				<u>\$ (2,498.24)</u>	

SCHEDULE OF 2018 APPROPRIATION RESERVES

	BALANCE DEC. 31 2018	ENCUMBERED 2018	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Salaries and Wages:					
inside "CAPS":					
Administrative & Executive	\$ 1,807.14	\$	\$ 1,807.14	\$	\$ 1,807.14
Borough Clerk	5,313.00		5,313.00		5,313.00
Elections	2,193.78		2,193.78		2,193.78
Financial Administration	1,114.70		1,114.70		1,114.70
Assessment of Taxes	170.12		170.12		170.12
Collection of Taxes	10,464.46		10,464.46		10,464.46
Public Buildings and Grounds	2,354.35		2,354.35		2,354.35
Fire	16,017.12		16,017.12		16,017.12
Uniform Fire Safety Act	6,881.02		6,881.02		6,881.02
Police	7,284.21		7,284.21		7,284.21
Road Repair and Maintenance	1,349.68		1,349.68		1,349.68
Board of Health	898.10		898.10		898.10
Parks and Playgrounds	8,080.00		8,080.00		8,080.00
Recreation	23,274.29		23,274.29		23,274.29
Municipal Court	636.12		636.12		636.12
Community Development	10,123.23		10,123.23		10,123.23
Electrical Inspector	410.10		410.10		410.10
Total Salaries and Wages	98,371.42		98,371.42		98,371.42
Other Expenses:					
inside "CAPS":					
Administrative and Executive	118,468.23	21,801.57	140,269.80	37,503.77	102,766.03
Elections	446.60		446.60		446.60
Financial Administration	19,069.62	100.00	19,169.62	214.95	18,954.67
Audit		53,000.00	53,000.00	50,817.00	2,183.00
Assessment of Taxes	864.45	1,379.95	2,244.40	1,379.95	864.45
Collection of Taxes	1,786.25	795.00	2,581.25	695.00	1,886.25
Legal Services	21,275.27	4,333.00	25,608.27	12,698.30	12,909.97
Prosecutor		1,666.74	1,666.74	1,666.74	
Engineering	12,415.67	475.00	12,890.67	475.00	12,415.67
Public Buildings and Grounds	6,603.32	16,637.96	23,241.28	15,140.29	8,100.99
Planning Board	8,858.39		8,858.39		8,858.39
Dept. of Technology	2,009.20	1,500.00	3,509.20	2,745.74	763.46
Zoning Board of Adjustment	516.49		516.49	155.64	360.85
Group Insurance for Employees	15,720.30	100,311.35	116,031.65	6,040.80	109,990.85
Other Insurance Premiums	10,915.11	2,650.00	13,565.11	4,547.31	9,017.80
Prescription Drug/Dental Program	16,556.60		16,556.60		16,556.60
Fire	3,086.92	60,868.53	63,955.45	54,772.41	9,183.04
Uniform Fire Safety Act	57.18		57.18		57.18
Police	1,027.54	21,413.06	22,440.60	18,423.51	4,017.09
Emergency Management	3,160.52	2,363.41	5,523.93	(7,120.99)	12,644.92
School Crossing Guards Contractual	104.56	37,850.30	37,954.86	21,587.33	16,367.53
Road Repair and Maintenance	112,069.20	62,987.22	175,056.42	41,638.45	133,417.97
Snow Removal	1,583.21	8,462.46	10,045.67	5,775.00	4,270.67
Sanitary Sewer System	10,455.00		10,455.00		10,455.00
Garbage and Trash Removal Contractual	149,670.18	71,448.65	221,118.83	46,195.01	174,923.82
Recycling	16,919.11	150.00	17,069.11	150.00	16,919.11
Board of Health	2,032.06	9,330.66	11,362.74	9,330.66	2,032.06
Parks and Playgrounds	5,749.25	10,361.84	16,111.09	2,274.67	13,836.42
Recreation	10,310.95	591.25	10,902.20	668.22	10,233.98
Celebration of Public Events	2,000.00		2,000.00		2,000.00
Municipal Court	214.42		214.42		214.42
Community Development	584.52	250.00	834.52	130.03	704.49
Matching Funds for Grants	292.66		292.66		292.66
Street Lighting	31,693.43	59,409.91	91,303.34	40,175.64	51,127.70

SCHEDULE OF 2018 APPROPRIATION RESERVES

	BALANCE DEC. 31 2018	ENCUMBERED 2018	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Other Expenses:					
Inside "CAPS":					
Fire Hydrant Service	\$ 5,217.40	\$ 26,199.72	\$ 31,417.12	\$ 23,080.53	\$ 8,336.59
Telephone	11,681.70	4,432.27	16,113.97	4,127.04	11,986.93
Water	4,530.23	1,138.98	5,669.21	4,751.35	917.86
Electricity	35,055.03	59,224.76	94,279.79	25,229.53	69,050.26
Gasoline	13,549.89	10,500.05	24,049.94	2,688.51	21,361.43
Contingent	1,000.00		1,000.00		1,000.00
Public Employees Retirement System	29.28		29.28		29.28
Social Security System	8,319.51	36,422.66	44,742.17		44,742.17
Police and Firemen's Retirement	47.00		47.00		47.00
Defined Contribution Retirement Program	1,773.58	178.96	1,952.54	178.96	1,773.58
Other Expenses:					
Out of "CAPS":					
LOSAP	3,380.87		3,380.87		3,380.87
Reserve for Tax Appeals	28,035.26		28,035.26	28,035.26	
Total Other Expenses	699,335.98	688,235.26	1,387,571.24	458,171.61	931,399.63
Total Operations	\$ 797,707.40	\$ 688,235.26	\$ 1,485,942.66	\$ 458,171.61	\$ 1,029,771.05
Ref.	A	A		A-4	A-1

SCHEDULE OF TAX OVERPAYMENTS - CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2018	A	\$ 25,037.17
Increased by:		
Cash Receipts - Tax Overpayments	A-4	<u>5,999.33</u>
		31,036.50
Decreased by:		
Cash Payments - Refunds	A-4	<u>25,037.15</u>
Balance - December 31, 2019	A	<u>\$ 5,999.35</u>

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
GRANT FUND

Exhibit - A-16

GRANT	BALANCE DEC. 31, 2018	2019 BUDGET		CHAPTER 159'S	COLLECTED 2019	BALANCE DEC. 31, 2019
		REVENUE REALIZED				
Municipal Alliance Grant	\$ 19,191.74	\$	\$		\$	19,191.74
Municipal Alliance Grant 17	1,348.25					1,348.25
Municipal Alliance Grant	11,029.36				10,315.09	714.27
Municipal Alliance Grant		11,029.36				11,029.36
Assistance to Firefighters Grant Program	185,000.00				185,000.00	
ANJEC - Butterfly Garden Grant	400.00					400.00
Body Armor Replacement Fund	3,097.50	3,411.96		768.17	3,411.96	3,865.67
Bulletproof Vest Program	345.01			24,395.49	24,395.49	345.01
Clean Communities Program	84,245.00				84,245.00	
CDBG South St. Sanitary Sewer Grant		100,000.00		96,371.00		100,000.00
CDBG Handicapped Ramp, Curbs & Sidewalk Improvements				6,941.17		96,371.00
CDBG Sanitary Sewer Grant				10,000.00		
Drunk Driving Enforcement Grant					6,941.17	
EMAA Grant - Office of Emergency Management					10,000.00	
Green Acres Grant	143,355.00	2,500.00			2,500.00	143,355.00
Historic Grant County	75,000.00	126,174.00			63,073.00	138,101.00
Historical Preservation Grant	108,860.00					108,860.00
Library ADA Compliant Grant	22,295.00					22,295.00
Municipal Alcohol Ed. Rehab Grant	455,730.00			4,179.48	4,179.48	
NJ DEP - Hazardous Discharge Site Remediation	39.65			455,730.00		
NJ Safe Corridors Grant						39.65
Somerset County RCP Pedestrian Safety Grant Phase II	23,535.00	15,000.00			7,500.00	7,500.00
Preserve New Jersey Preservation Grant						23,535.00
Recycling Tonnage Grant		13,550.33			13,550.33	
Somerset County Regional Partnership - Creative						
Placemaking Challenge Grant	7,500.00				7,500.00	
Somerville Flood Acquisition Project	454,325.00					454,325.00
Sustainable Jersey Small Grants Program	10,000.00					10,000.00
Transit Village Program for the Wayfinding Program - 2018	80,000.00					80,000.00
Transit Village Streetscape Improvements				130,000.00		130,000.00
Youth Service				5,000.00		
	\$ 1,685,296.51	\$ 271,665.65	\$ 277,655.31	\$ 883,341.52	\$ 1,351,275.95	

Ref.

A

A-17

A-17

A-17

A

GRANT FUND
STATEMENT OF INTERFUNDS RECEIVABLE/PAYABLE

	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>ADJUSTMENTS</u>	<u>BALANCE</u> <u>DEC. 31, 2019</u>
Interfunds:			
Current Fund	\$ 741,310.14	\$ 403,274.37	\$ 1,144,584.51
Total	<u>\$ 741,310.14</u>	<u>\$ 403,274.37</u>	<u>\$ 1,144,584.51</u>
	<u>Ref.</u>	A	A
Grants Revenue - Budget	A-16	\$ (549,320.96)	
Grants Appropriated - Budget	A-18	552,078.30	
Grant Receivables - Received	A-16	883,341.52	
Grants Appropriated - Expended	A-18	<u>(482,824.49)</u>	
		<u>\$ 403,274.37</u>	

SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS - APPROPRIATED
GRANT FUND

GRANT/AID PROGRAM	BALANCE		TRANSFERRED		CHAPTER 159'S	ENCUMBERED		PAID OR		ENCUMBERED		BALANCE	
	DEC. 31, 2018	DEC. 31, 2019	FROM 2019 BUDGET	TO 2018 BUDGET		DEC. 31, 2018	DEC. 31, 2019	CHARGED	DEC. 31, 2019	DEC. 31, 2018	DEC. 31, 2019	DEC. 31, 2018	DEC. 31, 2019
Municipal Alliance Grant County 12	\$ 287.97	\$ 287.97											\$ 287.97
Municipal Alliance Grant Local 12	1,000.00	1,000.00											1,000.00
Municipal Alliance Grant County 13	706.28	706.28											706.28
Municipal Alliance Grant Local 13	2,725.50	2,725.50											2,725.50
Municipal Alliance Grant County 14	2,930.65	2,930.65											2,930.65
Municipal Alliance Grant Local 14	3,816.50	3,816.50											3,816.50
Municipal Alliance Grant 15	6,421.25	6,421.25											6,421.25
Municipal Alliance Grant 16	3,220.44	3,220.44											3,220.44
Municipal Alliance Grant 17	63.64	63.64											63.64
Municipal Alliance Grant 18	13,531.66	13,531.66											13,531.66
Municipal Alliance Grant 19	11,352.46	11,352.46											11,352.46
Alcohol Ed Rehab Grant			13,786.70		4,179.48			12,846.32					13,786.70
Assistance to Firefighters Grant Program									194,250.00				15,531.94
Association of NJ Environmental Commission - Butterfly Garden Grant	1,047.31	1,047.31											1,047.31
Body Armor Replacement Fund 16	5,055.43	5,055.43											5,055.43
Body Armor Replacement Fund 18	2,990.70	2,990.70											2,990.70
Body Armor Replacement Fund 19			3,411.96		768.17			955.80					3,411.96
Bulletproof Vest Program	4,354.86	4,354.86						84,245.00					4,167.23
CDBG South St. Sanitary Sewer Grant			100,000.00		96,371.00			4,292.50		10,607.50			85,100.00
CDBG Sanitary Sewer Grant													96,371.00
Clean Communities 16	5,014.70	5,014.70						6,938.62					168.08
Clean Communities 2017	9,716.02	9,716.02						9,238.90		477.12			0.00
Clean Communities Program 18	21,892.93	21,892.93						6,185.25					15,707.68
Clean Communities Program 19					24,395.49								24,395.49
DEP Hazardous Discharge Site Remediation Fund	12.38	12.38											12.38
DEP - Hazardous Discharge Site Remediation	455,730.00	455,730.00						57,462.07					398,267.93
Drunk Driving Enforcement Fund	19,399.57	19,399.57						70.48					26,449.26
EMAA Grant - Office of Emergency Management	1,006.37	1,006.37			10,000.00								10,000.00
Emergency Responder Grant	0.01	0.01											1,006.97
Federal Bulletproof Vest Program													0.01
Garden Club of Somerset Hills Tree Planting and Community Garden Grant	372.00	372.00											372.00
Green Acres Grant	560,455.00	560,455.00						20,507.55					550,619.11
Hazardous Discharge Grant 2017	50,233.27	50,233.27								10,671.67			50,233.27
Highway Safety Grant	1,091.55	1,091.55						715.00					376.55
Historical Preservation Grant	5,158.82	5,158.82											5,158.82
Historical Preservation Grant	77,267.00	77,267.00											126,174.00
Historical Preservation Grant			126,174.00					53,946.13		12,041.87			126,174.00
Library ADA Compliant Grant	5,711.89	5,711.89											5,711.89
NJ DEP - RCP Challenge Grant for Pedestrian Safety	15,000.00	15,000.00											15,000.00
NJ DOT Transit Village	230,000.00	230,000.00											230,000.00
Preserve New Jersey Preservation Grant	23,535.00	23,535.00											7,600.00
Recycling Tonnage Grant 16	4,945.11	4,945.11											4,945.11
Regional Center Challenge Grant 13	26,000.00	26,000.00											26,000.00
Regional Center Challenge Grant 18			13,550.33										13,550.00

SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS - APPROPRIATED
GRANT FUND

GRANT/AID PROGRAM	BALANCE		TRANSFERRED FROM 2019 BUDGET	CHAPTER 159'S	ENCUMBERED DEC. 31, 2018	PAID OR CHARGED	ENCUMBERED DEC. 31, 2019	BALANCE DEC. 31, 2019
	DEC. 31, 2018							
Somerset County - The Council for Boys and Young Men	\$ 3,430.00	\$	\$		\$	\$ 1,248.83	\$	2,181.17
Somerset County - RVSA - Green Acres Grant			2,500.00					2,500.00
Somerset County RCP Pedestrian Safety Grant Phase II			15,000.00			15,000.00		
Somerville Flood Acquisition Project	454,325.00							454,325.00
Sustainable Jersey Small Grants Program	20,000.00					20,000.00		79,865.74
Transit Village Program for the Wayfinding Program - 2018	80,000.00			130,000.00		134.26		130,000.00
Transit Village Streetscape Improvements						1,788.22		1,343.89
Youth Service	3,132.11			5,000.00				5,000.00
Youth Service								
	\$ 2,132,933.88	\$ 274,422.99	\$ 277,655.31	\$ 291,437.67	\$ 482,824.49	\$ 59,611.94	\$ 2,434,013.52	

Ref.

A

A-17

A-17

A

A-17

A

A

SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS
UNAPPROPRIATED
GRANT FUND

<u>GRANTS</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2019</u>
Somerville Landfill Green Seam	\$ <u>2,235.00</u>	\$ <u>2,235.00</u>
	\$ <u>2,235.00</u>	\$ <u>2,235.00</u>
<u>Ref.</u>	A	A

Trust Fund

TRUST FUNDS
SCHEDULE OF CASH AND RESERVE ACTIVITY

	Balance 12/31/18	Receipts	Cash Disbursements	Adjustments	Balance 12/31/19
Assessment Trust Fund:					
Assessments Receivable	\$ (4,907.84)	\$	\$		\$ (4,907.84)
Reserve for Assessments and Liens	4,907.84				4,907.84
Fund Balance	10,467.52				10,467.52
Total	10,467.52	-	-	-	10,467.52
Animal Control:					
Due Current Fund	16,977.00			5,255.58	22,232.58
Due NJ - State License Fees	-	663.60	(663.60)		-
Animal Control Reserves	14,807.60	5,862.40	(1,196.62)	(5,255.58)	14,217.80
Total	31,784.60	6,526.00	(1,860.22)	-	36,450.38
Trust - Other Funds:					
Accounts Receivable - HUD	(8,261.00)				(8,261.00)
CDBG Receivable	(44,385.89)				(44,385.89)
Interfunds Receivable:					
Due from Current Fund	(229,510.42)				(229,510.42)
Subtotal Interfunds Receivable	(282,157.31)	-	-	-	(282,157.31)
Interfunds Payable:					
Due to Public Assistance Fund	25,533.60				25,533.60
Due to Current Fund	14,000.00				14,000.00
Subtotal Interfunds Payable	39,533.60	-	-	-	39,533.60
Reserve for:					
Miscellaneous Deposits	1,897,988.07	1,583,316.98	(1,172,144.11)	(58,167.49)	2,250,993.45
Payroll Agency	177,817.97	2,546,311.39	(2,402,162.36)		321,967.00
CDBG Expenditures	44,385.89				44,385.89
District Management Corp.	445,482.51		(445,482.51)		-
SUI Fund	63,460.85	17,434.84			80,895.69
Sanitary Landfill Closure	10,419.38	25.01			10,444.39
Builders Escrow	74,462.78	99,855.08	(89,011.84)		85,306.02
Tax Redemption Trust	672,103.26	955,802.00	(1,302,105.26)		325,800.00
Recreation Trust	87,572.77	52,253.99	(26,583.00)		113,243.76
Housing Assistance Program	34,300.98				34,300.96
Housing Assistance Portables	30,278.19	2,296,673.31	(2,314,455.00)		12,496.50
Law Enforcement Trust	39,668.51	3,819.98			43,488.49
Credit Card Fee Accounts	1,703.33	10,721.12	(9,486.25)		2,938.20
Encumbrances	57,576.17			58,167.49	115,743.66
Total	3,394,596.93	7,566,213.70	(7,761,430.33)		3,199,380.30
Total	\$ 3,436,849.05	\$ 7,572,739.70	\$ (7,763,290.55)	\$ -	\$ 3,246,298.20

Ref.

B

B

SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES
ANIMAL CONTROL FUND

Municipal License Fees Collected:

<u>Year</u>	<u>Amount</u>
2017	\$8,141.40
2018	<u>6,076.40</u>
	<u>\$14,217.80</u>

Footnote: N.J.S.A. 4:19-15.11

" there shall be transferred from such special account to general funds of the municipality any amount then in such special account which is in excess of the total amount paid into such special account during the last two fiscal years next preceeding."

TRUST FUNDS
SCHEDULE OF MISCELLANEOUS RESERVES

	Balance	12/31/18	Cash		12/31/19	Balance
	12/31/18	Encumbered	Receipts	Disbursements	Encumbered	12/31/19
Abandoned & Vacant Property Enforcement	\$ -	\$ -	\$ 50,000.00	\$ -	\$ -	\$ 50,000.00
Cable TV	19,686.10		16,000.00	(1,303.40)	(225.00)	34,157.70
CDBG Library	22,295.00					22,295.00
Community Day	52.46					52.46
Demolition Project	12,190.94					12,190.94
Developer Escrow - Desapio Infrastructure	90,338.00	4,062.77	29,500.00			123,900.77
Donations - Fire Museum	3,061.76		247.00	(47.00)		3,261.76
Engineering Escrow	207,337.16		165,111.08	(193,750.00)		178,698.24
Environmental Commission	13,760.46			(480.00)	(120.00)	13,160.46
Fire Safety	5,688.71	626.00	1,250.00	(2,196.99)	(313.00)	5,054.72
Hurricane Sandy Donations	500.00					500.00
Jersey Strong Inspection	4,918.88					4,918.88
Maintenance Reserve	6,488.66		45,543.40			52,032.06
Performance Deposits	606,992.71		338,229.28	(241,678.30)		703,543.69
Planning Board Escrow	53,571.17		240,375.58	(153,573.32)	(31,562.34)	108,811.09
POAA	8,310.81		6,906.00			15,216.81
Police Community Policing	2,349.51		2,062.35	(2,679.05)		1,732.81
Police O/T	34,322.05	52,387.40	567,076.23	(482,913.94)	(57,921.47)	112,950.27
Public Defenders Fees	532.96	500.00	13,357.00	(9,600.00)	(500.00)	4,289.96
Reserve for Retirement	652,938.51		50,000.00	(24,555.83)		678,382.68
Road Opening Inspections	18,965.51		51,614.00	(47,385.00)	(375.00)	22,819.51
Sewer Escrow	7,083.13					7,083.13
Snow Removal	50,067.32		3,995.06	(3,908.24)	(10,000.00)	40,154.14
Street Openings	54,373.36		2,050.00	(7,468.14)	(14,726.85)	54,373.36
UFC Penalties - Fire Dept.	20,658.00					20,658.00
Wedding Donations	900.00					900.00
Youth Services Program	604.90			(604.90)		
Total	\$ 1,897,988.07	\$ 57,576.17	\$ 1,583,316.98	\$ (1,172,144.11)	\$ (1	\$ (1

Ref. B B

General Capital Fund

SCHEDULE OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>		
Balance - December 31, 2018	C		\$ 1,564,508.23
Increased by Receipts:			
Premium on Sale of BANs	C- 1	\$ 16,089.00	
Capital Improvement Fund	C- 4	115,000.00	
Deferred Charges - Unfunded	C- 6	1,561,000.00	
Grants, Loans and Other Receivables	C- 7	698,211.91	
Bond Anticipation Notes	C- 9	3,715,000.00	
ERG Payment of Debt Service	C-13	<u>117,220.00</u>	
			<u>6,222,520.91</u>
			7,787,029.14
Decreased by Disbursements:			
Grants, Loans and Other Receivables	C- 7	184,907.67	
Improvement Authorizations	C- 8	1,668,017.83	
Bond Anticipation Notes	C- 9	<u>3,990,000.00</u>	
			<u>5,842,925.50</u>
Balance - December 31, 2019	C,C-3		<u>\$ 1,944,103.64</u>

ANALYSIS OF GENERAL CAPITAL FUND
CASH AND INVESTMENTS

Exhibit - C-3

	BALANCE DEC. 31, <u>2018</u>	BALANCE DEC. 31, <u>2019</u>
Fund Balance	\$ 256,778.07	\$ 272,867.07
Capital Improvement Fund	19,256.83	68,011.83
Reserve for Payment of Future Debt Service-ERG	831,305.61	948,525.61
Reserve for Payment of Future Debt Service	529,764.48	503,264.48
Reserve for Encumbrances Payable	190,441.74	655,876.65
Improvement Authorizations Funded	4,287,933.24	2,568,734.82
Improvement Authorizations Not Funded	(92,261.40)	(114,492.12)
Grants Receivable/Reserve	(4,771,125.15)	(4,061,757.99)
Due from SCIA	(3,303.34)	(3,303.34)
Unexpended Proceeds of Bond Anticipation Notes	315,718.15	1,106,376.63
	<u>\$ 1,564,508.23</u>	<u>\$ 1,944,103.64</u>
	C	C

Exhibit - C-4

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance - December 31, 2018	C	\$ 19,256.83
Increased by:		
2019 Budget Appropriation	C- 2	<u>115,000.00</u>
		134,256.83
Decreased by:		
Improvement Authorizations Funded	C- 8	<u>66,245.00</u>
Balance - December 31, 2019	C	<u>\$ 68,011.83</u>

Exhibit - C-5

SCHEDULE OF DEFERRED CHARGES
TO FUTURE TAXATION - FUNDED
GENERAL CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2018	C	\$ 19,192,243.55
Increased by:		
Decreased by:		
Serial Bonds Payable	C-10	\$ 1,590,000.00
NJEIT Loans Payable	C-11	116,796.09
SCIA Leases Payable	C-16	<u>241,184.61</u>
		<u>1,947,980.70</u>
Balance - December 31, 2019	C	<u>\$ 17,244,262.85</u>

SCHEDULE OF DEFERRED CHARGES TO
FUTURE TAXATION - UNFUNDED
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2018	2019 AUTHORIZATIONS	PAID BY BUDGET APPROP.	IMPROVEMENT AUTHORIZATIONS CANCELLED	BALANCE DEC. 31, 2019	ANALYSIS OF BALANCE DECEMBER 31, 2019		
							BOND ANTICIPATION NOTES	EXPENDITURES	UNEXPENDED BALANCE OF IMPROV. AUTH.
	<u>General Improvements</u>								
2470	Various Improvements	\$ 355,466.83	\$ -	\$ -	\$ -	\$ 355,466.83	\$ 340,000.00	\$ -	\$ 15,466.83
2495	Various Redevelopment Projects	95,000.00	-	-	-	95,000.00	95,000.00	-	-
2497	Various Improvements	600,110.00	-	-	-	600,110.00	590,000.00	-	10,110.00
2499	Sidewalk Improvements	33,250.00	-	-	-	33,250.00	-	30,008.09	3,241.91
2518	Various Improvements	1,292,950.00	-	100,000.00	-	1,192,950.00	1,190,000.00	-	2,950.00
2525	Sidewalk Improvement	251,517.00	-	-	251,517.00	-	-	-	-
2546	Acquisition of Property Located at 85-101 North Gaston Avenue	1,425,000.00	-	1,341,802.72	83,197.28	-	-	-	-
2550	Various Improvements	1,039,775.00	-	119,197.28	-	920,577.72	900,000.00	-	20,577.72
2570	Various Improvements	-	1,882,667.00	-	-	1,882,667.00	600,000.00	84,484.03	1,198,182.97
2574	Site Remediation at Landfill - amended	-	250,000.00	-	-	250,000.00	-	-	250,000.00
2577	Sidewalk Assessment	-	23,641.00	-	-	23,641.00	-	-	23,641.00
2591	Acquisition of Police Mobile Radio System	-	218,500.00	-	-	218,500.00	-	-	218,500.00
		<u>\$ 5,093,068.83</u>	<u>\$ 2,374,808.00</u>	<u>\$ 1,561,000.00</u>	<u>\$ 334,714.28</u>	<u>\$ 5,572,162.55</u>	<u>\$ 3,715,000.00</u>	<u>\$ 114,492.12</u>	<u>\$ 1,742,670.43</u>
		Ref	C	C-2	C-8	C			

Unexpended Balances of Unfunded Improv. Authors.
Less: Unexpended Proceeds of Bond Anticipation Notes

\$ 2,849,047.06
1,106,376.63

\$ 1,742,670.43

SCHEDULE OF DUE FROM VARIOUS GRANTOR AGENCIES
GRANTS RECEIVABLE
GENERAL CAPITAL FUND

	Ordinance Number	Balance December 31, 2018	Increases	Decreases	Balance December 31, 2019
Receivables:					
State Aid Allotment	2109	\$ 37,500.00	\$ -	\$ -	\$ 37,500.00
State Aid Allotment	2124	18,750.00			18,750.00
New Jersey DOT	2189	68,750.00			68,750.00
New Jersey DOT	2227	0.88			0.88
New Jersey DOT	2286	10,943.03			10,943.03
NJ Economic Development Authority	2355	8,979.25			8,979.25
New Jersey DOT	2361	250,000.00			250,000.00
Community Development Block Grant	2361	16,309.21			16,309.21
New Jersey DOT	2377	230,000.00			230,000.00
New Jersey DOT	2420	99,294.07			99,294.07
New Jersey DOT	2470	79,963.93			79,963.93
NJ Economic Development Authority - Hazardous Discharge	2482	2,496,259.21		560,559.91	1,935,699.30
New Jersey Environmental Infrastructure Trust (NJEIT)	2482	517,206.00			517,206.00
Somerset County Improvement Authority (SCIA) - Fire Truck	2505	72,478.32			72,478.32
NJ Dept of Community Affairs, Office of Main Street NJ	2526	11,155.25	184,907.67	196,062.92	-
New Jersey DOT	2550	183,536.00		137,652.00	45,884.00
New Jersey Safe Routes to Schools	2550	670,000.00			670,000.00
New Jersey DOT - North Midaugh Street	2570/2578		513,000.00		513,000.00
New Jersey DOT - South Cadillac Drive	2570/2578		353,167.00		353,167.00
		\$ 4,771,125.15	\$ 1,051,074.67	\$ 894,274.83	\$ 4,927,924.99
Cash Receipts	Ref.	C	Below	Below	C
Cash Disbursements	C-2			\$ 698,211.91	
Improvement Authorizations	C-2		184,907.67		
Reserve for Payment of Future Debt Service	C-8			169,562.92	
Reserve for Grants Receivable	C-14			26,500.00	
	C-15		866,167.00		
		\$ 1,051,074.67	\$ 894,274.83		

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDNANCE DATE	BALANCE - DEC. 31, 2018		2019 AUTHORIZATIONS	2018 ENCUMBRANCES	PAID OR CHARGED	2019 ENCUMBRANCES	AUTH CANCELED	BALANCE - DEC. 31, 2019	
			FUNDED	UNFUNDED						FUNDED	UNFUNDED
2227	Various Improvements	04/02/07	\$ 1,098,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,784.80	\$ -
2332	Various Improvements	06/21/10	465,000.00	28,257.28	-	-	-	-	-	28,257.28	-
2412	Various Improvements General Capital	03/18/13	545,000.00	13,172.51	-	-	-	-	-	9,971.40	-
2420	Various Improvements	08/19/13	445,000.00	100,423.73	-	-	-	-	-	92,632.13	-
2441	Various Improvements	05/19/14	936,000.00	18,341.71	-	-	-	-	-	16,341.71	-
2468	Various Redevelopment Projects	05/04/15	200,000.00	5,960.76	-	-	-	-	-	5,960.76	-
2470	Various Improvements	06/15/15	886,530.00	-	-	-	-	-	-	-	140,266.39
2482/	Site Remediation at Landfill	12/07/15	16,229,114.00	171,283.24	-	-	-	-	-	-	-
2574	Amending Ordinance 2482	06/17/19	250,000.00	3,065,432.20	250,000.00	-	-	-	-	2,308,059.56	-
2495	Various Redevelopment Projects	03/21/16	100,000.00	9,409.60	-	-	-	-	-	-	250,000.00
2497	Various Improvements	03/21/16	631,695.00	25,940.96	-	-	-	-	-	-	8,903.17
2499	Sidewalk Assessment	04/18/16	35,000.00	3,241.91	-	-	-	-	-	-	20,732.03
2505	Purchase of a Fire Truck - SCJA	09/19/16	800,000.00	61,356.33	-	-	-	-	-	-	3,241.91
2518	Various Improvements	04/03/17	1,361,000.00	323,442.14	-	-	-	-	-	-	72,426.72
2525/2526	Sidewalk Assessment	04/17/17	487,880.00	139,667.92	-	-	-	-	-	-	65,001.87
2546	Acquisition of Property Located at 85-101 North Gaston Avenue	03/19/18	1,500,000.00	83,703.71	-	-	-	-	-	-	-
2550	Various Improvements	05/21/18	1,948,036.00	457,987.02	-	-	-	-	-	-	920,577.72
2570/	Various Improvements	05/20/19	1,070,000.00	1,935,167.00	1,935,167.00	-	-	-	-	19,117.54	-
2578	Amending Ordinance 2570	07/15/19	866,167.00	-	-	-	-	-	-	-	1,198,182.97
2577	Sidewalk Assessment	08/05/19	24,886.00	24,886.00	-	-	-	-	-	-	23,641.00
2591	Acquisition of Police Mobile Radio System	11/18/19	230,000.00	230,000.00	230,000.00	-	-	-	-	10,937.92	218,500.00
			\$ 4,287,933.24	\$ 1,326,525.58	\$ 2,441,053.00	\$ 190,441.74	\$ 1,668,017.83	\$ 655,876.65	\$ 504,277.20	\$ 2,568,734.82	\$ 2,849,047.06

Ref: C C C C-2 C C C C C C

Capital Improvement Fund	\$ 66,245.00	C-4
Deferred Charges to Future Taxation - Unfunded	2,374,808.00	C-6
	\$ 2,441,053.00	

SCHEDULE OF BOND ANTICIPATION NOTES

ORD. NO.	IMPROVEMENT DESCRIPTION	ORIGINAL DATE OF ISSUE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE DEC. 31, 2018	INCREASED	DECREASED	BALANCE DEC. 31, 2019
2470	Various Improvements	11/09/17	11/06/19	11/05/20	1.75%	\$ 340,000.00	\$ 340,000.00	\$ 340,000.00	\$ 340,000.00
2495	Various Redevelopment Projects	11/09/17	11/06/19	11/05/20	1.75%	95,000.00	95,000.00	95,000.00	95,000.00
2497	Various Improvements	11/09/17	11/06/19	11/05/20	1.75%	570,000.00	590,000.00	570,000.00	590,000.00
2518	Various Improvements	11/09/17	11/06/19	11/05/20	1.75%	1,120,000.00	1,190,000.00	1,120,000.00	1,190,000.00
2546	Acquisition of Real Property	11/07/18	11/06/19	11/05/20	1.75%	1,340,000.00	900,000.00	1,340,000.00	-
2550	Various Improvements	11/07/18	11/06/19	11/05/20	1.75%	525,000.00	600,000.00	525,000.00	900,000.00
2570	Various Improvements	11/06/19	11/06/19	11/05/20	1.75%				600,000.00
						<u>\$ 3,990,000.00</u>	<u>\$ 3,715,000.00</u>	<u>\$ 3,990,000.00</u>	<u>\$ 3,715,000.00</u>

Ref.

C

C-2

C-2

C

SCHEDULE OF GENERAL SERIAL BONDS

DESCRIPTION	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	MATURITIES OF LOANS DATE	AMOUNT	BALANCE DEC. 31, 2018	DECREASED	BALANCE DEC. 31, 2019
County Guaranteed Governmental Loan Revenue Bonds Series 2009B	10/01/09	\$ 3,360,000.00	3.250%	10/01/20	\$ 265,000.00	\$ 1,515,000.00	\$ 265,000.00	\$ 1,250,000.00
			3.750%	10/01/21	265,000.00			
			3.500%	10/01/22	265,000.00			
			4.000%	10/01/23	265,000.00			
			4.000%	10/01/24	190,000.00			
County Guaranteed Governmental Loan Revenue Bonds Series 2009C	10/01/09	3,640,000.00	5.000%	10/01/20	285,000.00	1,635,000.00	285,000.00	1,350,000.00
			5.125%	10/01/21-22	285,000.00			
			5.250%	10/01/23	285,000.00			
			5.250%	10/01/24	210,000.00			
General Improvements	02/08/12	5,340,000.00	2.000%	09/15/20	400,000.00	3,395,000.00	395,000.00	3,000,000.00
			2.000%	09/15/21	410,000.00			
			2.000%	09/15/22	420,000.00			
			2.000%	09/15/23	430,000.00			
			2.100%	09/15/24	440,000.00			
			2.250%	09/15/25	475,000.00			
			2.375%	09/15/26	425,000.00			
County Guaranteed Governmental Loan Revenue Refunding Bonds Series 2014B	08/01/14	1,465,000.00	4.000%	08/01/20	295,000.00	840,000.00	295,000.00	545,000.00
			4.000%	08/01/21	250,000.00			
General Obligation Bonds	04/14/16	6,770,000.00	1.500%	02/15/20	375,000.00	6,145,000.00	350,000.00	5,795,000.00
			1.750%	02/15/21	385,000.00			
			2.000%	02/15/22	400,000.00			
			2.000%	02/15/23	415,000.00			
			2.000%	02/15/24	425,000.00			
			2.000%	02/15/25	450,000.00			
			2.000%	02/15/26	500,000.00			
			2.000%	02/15/27	525,000.00			
			2.000%	02/15/28	550,000.00			
			2.750%	02/15/29	570,000.00			
		3.000%	02/15/30	600,000.00				
		3.000%	02/15/31	600,000.00				
						\$ 13,530,000.00	\$ 1,590,000.00	\$ 11,940,000.00
Ref.						C	C-5	C

SCHEDULE OF LOANS PAYABLE
NJ ENVIRONMENTAL INFRASTRUCTURE TRUST FUND LOAN PAYABLE

Balance - December 31, 2018	Ref. C	\$ 3,943,224.00
Decreased by:		
Cash Disbursements	C-5	<u>116,796.09</u>
Balance - December 31, 2019	C	<u>\$ 3,826,427.91</u>

SCHEDULE OF DUE FROM SOMERSET COUNTY
IMPROVEMENT AUTHORITY

	<u>REF.</u>	
Balance - December 31, 2018	C	\$ 3,303.34
Balance - December 31, 2019	C	<u>\$ 3,303.34</u>

SCHEDULE OF ERG RESERVE FOR PAYMENT OF
FUTURE DEBT SERVICE

	<u>REF.</u>	
Balance - December 31, 2018	C	\$ 831,305.61
Increased by:		
Cash Receipts	C-2	<u>117,220.00</u>
Balance - December 31, 2019	C	<u>\$ 948,525.61</u>

**SCHEDULE OF RESERVE FOR PAYMENT OF
FUTURE DEBT SERVICE**

	<u>REF.</u>	
Balance - December 31, 2018	C	\$ 529,764.48
Decreased by:		
Downtown Somerville Alliance Improvement Authorization Cancelled	C-7	<u>26,500.00</u>
Balance - December 31, 2019	C	<u>\$ 503,264.48</u>

SCHEDULE OF RESERVE FOR GRANTS RECEIVABLE

	<u>REF.</u>	
Balance - December 31, 2018	C	\$ -
Increased by:		
Grants Awarded	C-7	<u>866,167.00</u>
Balance - December 31, 2019	C	<u>\$ 866,167.00</u>

Analysis of Balance

2570/2578 New Jersey DOT - North Midaugh Street	\$ 513,000.00
2570/2578 New Jersey DOT - South Cadillac Drive	<u>353,167.00</u>
	<u>\$ 866,167.00</u>

SCHEDULE OF SCIA LEASE PAYABLE

<u>DESCRIPTION</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>MATURITIES OF LOANS DATE</u>	<u>AMOUNT</u>	<u>BALANCE</u>	
						<u>DEC. 31, 2018</u>	<u>DEC. 31, 2019</u>
SCIA Lease Payable	2014	\$ 296,083.52	2.10%	05/15/20	\$ 39,096.71	\$ 116,075.65	\$ 76,978.94
SCIA Lease Payable	2015	229,526.03	2.10%	05/15/20 11/15/20	29,441.39 29,750.53	117,160.12	57,968.20
SCIA Lease Payable - Parking Lot Project	2016	830,000.00	0.91%	04/01/20	30,000.00	780,000.00	30,000.00
			1.27%	4/1/2021-22	30,000.00		
			1.27%	4/1/2023-25	35,000.00		
			1.88%	4/1/2026-27	40,000.00		
			1.88%	4/1/2028-30	45,000.00		
			2.20%	4/1/2031-32	50,000.00		
			2.20%	04/01/33	55,000.00		
			2.20%	4/1/2034-35	60,000.00		
			2.45%	04/01/36	65,000.00		
SCIA Lease Payable - Fire Truck	2016	808,000.00	2.25%	03/01/20	38,763.19	705,783.78	76,237.47
			2.25%	09/01/20	39,199.27		
			2.25%	03/01/21	39,640.27		
			2.25%	09/01/21	40,086.22		
			2.25%	03/01/22	40,537.19		
			2.25%	09/01/22	40,993.23		
			2.25%	03/01/23	41,454.41		
			2.25%	09/01/23	41,920.77		
			2.25%	03/01/24	42,392.38		
			2.25%	09/01/24	42,869.29		
			2.25%	03/01/25	43,351.57		
			2.25%	09/01/25	43,839.28		
			2.25%	03/01/26	44,332.47		
			2.25%	09/01/26	44,831.21		
			2.25%	03/01/27	45,335.56		
						\$ 1,719,019.55	\$ 241,184.61
							\$ 1,477,834.94

Ref. C C-5 C

SCHEDULE OF BONDS AND NOTES
 AUTHORIZED BUT NOT ISSUED
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2018	2019 AUTHORIZATIONS	2019 BANS REDEEMED	2019 BANS ISSUED	PAID BY BUDGET APPROPS	IMPROVEMENT AUTHORIZATIONS CANCELLED	BALANCE DEC. 31, 2019
	<u>General Improvements</u>							
2470	Various Improvements	\$ 15,466.83	\$	\$ 340,000.00	\$ 340,000.00	\$	\$	\$ 15,466.83
2495	Various Redevelopment Projects	-		95,000.00	95,000.00			10,110.00
2497	Various Improvements	30,110.00		570,000.00	590,000.00			33,250.00
2499	Sidewalk Assessment	33,250.00						2,950.00
2518	Various Improvements	172,950.00		1,120,000.00	1,190,000.00	100,000.00		
2525	Sidewalk Assessment	251,517.00					251,517.00	
2546	Acquisition of Real Property	85,000.00		1,340,000.00		1,341,802.72	83,197.28	
2550	Various Improvements	514,775.00	1,882,667.00	525,000.00	900,000.00	119,197.28		20,577.72
2570	Various Improvements		250,000.00		600,000.00			1,282,667.00
2574	Site Remediation at Landfill - amended		23,641.00					250,000.00
2577	Sidewalk Assessment		218,500.00					23,641.00
2591	Acquisition of Police Mobile Radio System							218,500.00
		<u>\$ 1,103,066.83</u>	<u>\$ 2,374,808.00</u>	<u>\$ 3,990,000.00</u>	<u>\$ 3,715,000.00</u>	<u>\$ 1,561,000.00</u>	<u>\$ 334,714.28</u>	<u>\$ 1,857,162.55</u>

Ref. C

Sewer Utility Fund

SCHEDULE OF SEWER UTILITY CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>	<u>OPERATING FUND</u>	<u>CAPITAL FUND</u>
Balance - December 31, 2018	D	\$ 1,680,624.97	\$ 158,316.02
Increased by Receipts:			
Miscellaneous Revenue	D-3	\$ 226,394.81	
Consumer Accounts Receivable	D-8	2,654,127.95	
Sewer Overpayments	D-9	17,521.86	
Prepaid Sewer Charges	D-10	2,311.23	
Interfunds Receivable/Payable	D-14	20,000.00	
Bond Anticipation Notes	D-16		442,000.00
		<u>2,920,355.85</u>	<u>442,000.00</u>
Decreased by Disbursements:			
2019 Budget Appropriations	D-4	2,485,751.23	
Overpayment Refunds	D-9	859.28	
2018 Appropriation Reserves	D-12	418,264.42	
Interfunds Receivable/Payable	D-14	80,675.14	
Improvement Authorizations	D-17		4,448.20
		<u>4,600,980.82</u>	<u>600,316.02</u>
Balance - December 31, 2019	D	<u>2,985,550.07</u>	<u>4,448.20</u>
		<u>\$ 1,615,430.75</u>	<u>\$ 595,867.82</u>

SCHEDULE OF SEWER UTILITY CHANGE FUND

	<u>REF.</u>	
Balance - December 31, 2018	D	\$ 50.00
Balance - December 31, 2019	D	<u>\$ 50.00</u>

ANALYSIS OF SEWER UTILITY CAPITAL CASH AND INVESTMENTS

	BALANCE DEC. 31, <u>2019</u>	BALANCE DEC. 31, <u>2018</u>
Fund Balance	\$ 3,276.36	\$ 3,276.36
Capital Improvement Fund	65,000.00	54,000.00
Improvement Authorizations Funded	8,407.92	65,544.89
Improvement Authorizations Unfunded	315,339.68	144,968.59
Encumbrances Payable	45,037.80	64,577.00
Bonds and Notes Authorized but not Issued	(353,211.53)	(624,211.53)
Down Payments on Improvements	732.00	732.00
Due to Sewer Operating Fund	<u>511,285.59</u>	<u>449,428.71</u>
	<u>\$ 595,867.82</u>	<u>\$ 158,316.02</u>

() Denotes Deficit or Deduction

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2018	D	\$ 282,879.64
Increased by:		
Sewer Utility Billings (Net)	Reserve	<u>2,675,973.57</u>
		2,958,853.21
Decreased by:		
Collected	D-3,D-5	\$ 2,654,127.95
Prepays Applied	D-3,D-10	8,599.61
Overpayments Applied	D-9	<u>6,313.52</u>
		<u>2,669,041.08</u>
Balance - December 31, 2019	D	<u>\$ 289,812.13</u>

SEWER RENTS OVERPAYMENTS
SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2018	D	\$ 7,172.80
Increased by:		
Cash Receipts	D-5	<u>17,521.86</u>
		24,694.66
Decreased by:		
Refunded	D-5	\$ 859.28
Applied to Rents Receivable	D-8	<u>6,313.52</u>
		<u>7,172.80</u>
Balance - December 31, 2019	D	<u>\$ 17,521.86</u>

Exhibit - D-10

PREPAID SEWER RENTS
SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2018	D	\$ 8,599.61
Increased by:		
Cash Receipts	D-5	<u>2,311.23</u>
		10,910.84
Decreased by:		
Applied to Rents Receivable	D-8	<u>8,599.61</u>
Balance - December 31, 2019	D	<u>\$ 2,311.23</u>

Exhibit - D-11

SCHEDULE OF TAX TITLE LIENS RECEIVABLE
SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2018	D	\$ 1,850.00
Balance - December 31, 2019	D	<u>\$ 1,850.00</u>

SCHEDULE OF 2018 APPROPRIATION RESERVES
SEWER UTILITY OPERATING FUND

	BALANCE DEC. 31, 2018	RESERVE FOR ENCUMBRANCES DEC. 31, 2018	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Operating:					
Salaries and Wages	\$ 9,095.38	\$ 64,434.83	\$ 30.21	\$	\$ 30.21
Other Expenses	48,475.44	114,169.64	62,245.08	55,264.42	6,980.66
Sewerage Authority (R.S. 40:14A-9)					
Share of Costs	189,125.80		363,025.80	363,000.00	25.80
	<u>\$ 246,696.62</u>	<u>\$ 178,604.47</u>	<u>\$ 425,301.09</u>	<u>\$ 418,264.42</u>	<u>\$ 7,036.67</u>

Ref.

D

D

D-5

D-1

SCHEDULE OF FIXED CAPITAL
SEWER UTILITY CAPITAL FUND

	Ref.	
Balance - December 31, 2018	D	\$ 3,253,953.09
Increased by:		
Transferred from Fixed Capital Authorized & Uncompleted	D-15	<u>108,305.31</u>
Balance - December 31, 2019	D	<u>\$ 3,360,258.40</u>

SEWER OPERATING
STATEMENT OF INTERFUNDS RECEIVABLE

	<u>BALANCE DEC. 31, 2018</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE DEC. 31, 2018</u>
Interfunds:				
Sewer Capital Fund	\$ (449,428.71)	\$ 20,000.00	\$ 81,856.88	\$ (511,285.59)
Current Fund	<u>(11,579.04)</u>			<u>(11,579.04)</u>
Total	<u>\$ (461,007.75)</u>	<u>\$ 20,000.00</u>	<u>\$ 81,856.88</u>	<u>\$ (522,864.63)</u>
	<u>Ref.</u>	D	D-5	D
Cash Disbursements	D-5		\$ 80,675.14	
Accrued Interest Charged to Improvement Authorizations	D-23		<u>1,181.74</u>	
			<u>\$81,856.88</u>	

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		2019 AUTH	BALANCE DEC. 31, 2018	TO FIXED CAPITAL	CANCELLED	BALANCE DEC. 31, 2019
		DATE	AMOUNT					
<u>General Improvements:</u>								
2184	Sewer Rehabilitation	02/07/09	\$ 150,000.00	\$ -	\$ 82.50	\$ -	\$ 82.50	\$ -
2307	Various Sewer Improvements	06/15/09	50,000.00		2,211.53		2,211.53	
2378	Various Sewer Improvements	02/21/12	150,000.00		16,995.21			16,995.21
2501	Various Sewer Improvements	05/02/16	360,000.00		28,095.50	4,570.32		23,525.18
2517	Various Sewer Improvements	04/07/17	250,000.00		250,000.00	101,142.91		148,857.09
2571	Various Sewer Improvements	05/20/19	180,000.00	180,000.00		592.08		179,407.92
				\$ 180,000.00	\$ 297,384.74	\$ 106,305.31	\$ 2,294.03	\$ 368,785.40
		Ref.		D-17	D	D-13		D
	Fund Balance - Sewer Capital Fund						\$ 2,211.53	
	Deferred Reserve for Amortization						82.50	
							\$ 2,294.03	

SCHEDULE OF BOND ANTICIPATION NOTES

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>ORIGINAL DATE OF ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2018</u>	<u>BALANCE DEC. 31, 2019</u>	<u>INCREASED</u>	<u>Ref.</u>
2501	Various Sewer Improvements	11/06/19	11/06/19	11/05/20	1.75%	\$ -	\$ 342,000.00	\$ 342,000.00	D
2517	Various Sewer Improvements	11/06/19	11/06/19	11/05/20	1.75%	\$ -	100,000.00	100,000.00	D-5
						\$ -	\$ 442,000.00	\$ 442,000.00	D

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	AMOUNT	BALANCE DEC. 31, 2018		2018 AUTHOR.	RESERVE FOR ENCUMBRANCES DEC. 31, 2018	PAID OR CHARGED	RESERVE FOR ENCUMBRANCES DEC. 31, 2019	BALANCE DEC. 31, 2019	
				FUNDED	UNFUNDED					FUNDED	UNFUNDED
2378	Various Sewer Improvements	02/21/12	150,000.00	\$	16,995.21	\$	\$	4,448.20	\$	\$	16,995.21
2501	Various Sewer Improvements	05/02/16	360,000.00		27,973.38			81,264.80	23,525.18		127,344.47
2517	Various Sewer Improvements	04/07/17	250,000.00	65,544.89	100,000.00	180,000.00	64,577.00	592.08	21,512.62	8,407.92	171,000.00
2571	Various Sewer Improvements	05/20/19	180,000.00								
			\$	55,544.89	144,968.59	180,000.00	64,577.00	86,305.08	45,037.80	8,407.92	315,339.68
			Ref.	D	D	D-15	D	D-20	D	D	D

SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT FUND
SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2018	D	\$ 54,000.00
Increased by:		
2019 Budget Appropriation	D-20	<u>20,000.00</u>
		74,000.00
Decreased by:		
Approp. to Finance Improv. Author.	D-22	<u>9,000.00</u>
Balance - December 31, 2019	D	<u>\$ 65,000.00</u>

SCHEDULE OF RESERVE FOR DOWN PAYMENTS ON IMPROVEMENTS
SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2018	D	\$ 732.00
Balance - December 31, 2019	D	<u>\$ 732.00</u>

SCHEDULE OF DUE TO SEWER OPERATING FUND
SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2018	D	\$ 449,428.71
Increased by:		
Improvement Authorizations Paid by Operating Fund	D-17	<u>81,856.88</u>
		531,285.59
Decreased by:		
2019 Budget Appropriation - Capital Improvement Fund	D-18	<u>20,000.00</u>
Balance - December 31, 2019	D	<u>\$ 511,285.59</u>

SCHEDULE OF RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND

	REF.	
Balance - December 31, 2018	D	\$ 2,580,727.78
Balance - December 31, 2019	D	\$ 2,580,727.78

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	DATE	BALANCE DEC. 31, 2018	CAPITAL IMPROVEMENT FUND	FIXED CAPITAL AUTHORIZED & UNCOMP CANCELLED	BALANCE DEC. 31, 2019
<u>General Improvements:</u>						
1143	Various Sewer Improvements		\$ 469.83	\$ -	\$ -	\$ 469.83
2142	Various Sewer Improvements		44,999.72			44,999.72
2184	Sewer Rehabilitation	02/07/09	82.50		82.50	-
2190	Various Sewer Improvements		70,058.00			70,058.00
2307	Sewer Improvements	06/15/99	47,788.47			47,788.47
2360	Sewer Improvements	06/08/11	5,000.00			5,000.00
2378	Sewer Improvements	02/21/12	10,000.00			10,000.00
2501	Sewer Improvements	05/02/16	18,000.00			18,000.00
2517	Sewer Improvements	04/07/17	150,000.00			150,000.00
2571	Sewer Improvements	05/20/19		9,000.00		9,000.00
			\$ 346,398.52	\$ 9,000.00	\$ 82.50	\$ 355,316.02

Ref. D D-18 D-15 D

SCHEDULE OF ACCRUED INTEREST ON BONDS AND NOTES
SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2018	D	\$ -
Increased by:		
Accrued Interest Charged to: Improvement Authorizations	D-14	<u>1,181.74</u>
Balance - December 31, 2019	D	<u>\$ 1,181.74</u>

Analysis of Balance - December 31, 2019:

	<u>Principal Outstanding 12/31/19</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Period</u>	<u>Amount</u>
BAN's						
	<u>\$ 442,000.00</u>	1.750%	11/06/19	12/31/19	54 days	<u>\$ 1,181.74</u>

SCHEDULE OF BONDS AND NOTES
AUTHORIZED BUT NOT ISSUED

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2018	2019 AUTHORIZATIONS	BANS ISSUED	CANCELLED	BALANCE DEC. 31, 2019
2307	Various Sewer Improvements	\$ 2,211.53	\$ -	\$ -	\$ 2,211.53	\$ -
2360	Various Sewer Improvements	40,000.00				40,000.00
2378	Various Sewer Improvements	140,000.00				140,000.00
2501	Various Sewer Improvements	342,000.00		342,000.00		-
2517	Various Sewer Improvements	100,000.00		100,000.00		-
2571	Various Sewer Improvements		171,000.00			171,000.00
		<u>\$ 624,211.53</u>	<u>\$ 171,000.00</u>	<u>\$ 444,211.53</u>	<u>\$ 2,211.53</u>	<u>\$ 351,000.00</u>

Ref.

Footnote D

Parking Utility Fund

SCHEDULE OF PARKING UTILITY CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>	<u>OPERATING FUND</u>
Balance - December 31, 2018	E	\$ 765,780.23
Increased by Receipts:		
Parking Meters	E-2	699,503.51
Parking Permits	E-2	28,248.41
Parking Deck Fees	E-2	48,640.00
Miscellaneous	E-2	<u>12,643.02</u>
		<u>789,034.94</u>
		1,554,815.17
Decreased by Disbursements:		
2019 Budget Appropriations	E-3	407,644.69
2018 Appropriation Reserves	E-5	<u>20,521.01</u>
		<u>428,165.70</u>
Balance - December 31, 2019	E	<u>\$ 1,126,649.47</u>

SCHEDULE OF 2018 APPROPRIATION RESERVES
PARKING UTILITY OPERATING FUND

	BALANCE DEC. 31, 2018	RESERVE FOR ENCUMBRANCES DEC. 31, 2018	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Operating:					
Salaries and Wages	\$ 29,024.60	\$ 53,589.24	\$ 82,613.84	\$	\$ 82,613.84
Other Expenses	97,384.78	45,709.64	143,094.42	27,021.01	116,073.41
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	8,000.00		8,000.00		8,000.00
	<u>\$ 134,409.38</u>	<u>\$ 99,298.88</u>	<u>\$ 233,708.26</u>	<u>\$ 27,021.01</u>	<u>\$ 206,687.25</u>
	E	E	E	E-5	E-1
Disbursed				\$ 20,521.01	
Accounts Payable				<u>6,500.00</u>	
				<u>\$ 27,021.01</u>	

Public Assistance Trust Fund

SCHEDULE OF DUE TO/FROM TRUST OTHER FUND
PUBLIC ASSISTANCE TRUST FUND

	<u>REF.</u>	
Balance - December 31, 2018	F	\$25,533.60
Balance - December 31, 2019	F	<u>\$25,533.60</u>

SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

Balance - December 31, 2018	F	\$25,533.60
Balance - December 31, 2019	F	<u>\$25,533.60</u>

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

PART IV

**SUPPLEMENTARY DATA
YEAR ENDED DECEMBER 31, 2019**

BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2019

ASSETS	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	SEWER UTILITY FUND	PARKING UTILITY FUND	PUBLIC ASSISTANCE FUND	GOVERNMENTAL FIXED ASSETS	MEMORANDUM TOTAL ONLY
	DEC. 31, 2019	DEC. 31, 2019	DEC. 31, 2019	DEC. 31, 2019	DEC. 31, 2019	DEC. 31, 2019	DEC. 31, 2019	DEC. 31, 2018
Cash and Investments	\$ 13,346,150.61	\$ 3,246,298.20	\$ 1,944,103.64	\$ 2,211,348.57	\$ 1,126,649.47	\$	\$	\$ 21,874,550.49
Due from State of NJ - SC/Vet Deductions	22,329.22							22,329.22
Accounts Receivable:								
State & Federal Grants Receivable	1,351,275.95	52,646.89	4,927,924.99					6,331,847.83
Taxes, Assessments, Liens & Utility Charges	885,767.50	4,907.84		291,662.13				1,182,337.47
Interfund Loans	1,166,817.09	229,510.42		522,664.63		25,533.60		1,944,725.74
Other Accounts Receivable	37,664.55		3,303.34					40,967.89
Property Acquired for Taxes at Assessed Valuation								
Fixed Assets - General	28,500.00						29,779,807.00	28,500.00
Fixed Capital - Utility				3,729,043.80				29,779,807.00
Deferred Charges to Future Taxation:								3,729,043.80
General Capital Fund			22,816,425.40					22,816,425.40
	\$ 16,838,504.92	\$ 3,533,363.35	\$ 29,691,757.37	\$ 6,754,919.13	\$ 1,126,649.47	\$ 25,533.60	\$ 29,779,807.00	\$ 87,750,534.84

LIABILITIES, RESERVES AND FUND BALANCE	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	SEWER UTILITY FUND	PARKING UTILITY FUND	PUBLIC ASSISTANCE FUND	GOVERNMENTAL FIXED ASSETS	MEMORANDUM TOTAL ONLY
	DEC. 31, 2019	DEC. 31, 2019	DEC. 31, 2019	DEC. 31, 2019	DEC. 31, 2019	DEC. 31, 2019	DEC. 31, 2019	DEC. 31, 2018
Bonds and Notes Payable	\$	\$	\$ 15,655,000.00	\$ 442,000.00	\$	\$	\$	\$ 16,097,000.00
Loans Payable			5,304,262.85					5,304,262.85
Prepaid Taxes, Assessments, Utility Charges and Licenses	356,259.23			2,311.23				358,570.46
Tax, Assessment, Lien, License and Utility Charge Overpayments	5,999.35	4,907.84		17,521.86				28,429.05
Appropriation Reserves	990,198.45			363,254.77	165,681.05			1,519,134.27
Reserve for Encumbrances/Accounts Payable	954,150.15	115,743.66	655,876.65	146,213.54	109,674.26			1,981,658.26
Amts. Pledged to Specific Purposes	2,540,255.03	3,940,478.15	2,385,968.92	65,732.00		25,533.60		8,357,987.70
Improvement Authorizations			5,417,781.88	323,747.60				5,741,529.48
Interfund Loans	1,371,673.97	61,766.18		511,285.59				1,944,725.74
Investments in Governmental Fixed Assets							29,779,807.00	29,779,807.00
Reserve for Amortization of Costs of Fixed Capital Acquired or Authorized				2,936,043.80				2,936,043.80
Reserve for Certain Assets Acquired or Receivables & Inventories	974,164.63		272,867.07	291,662.13				1,265,826.76
Fund Balance	9,645,804.11	10,467.52		1,655,146.61	851,294.16			12,435,579.47
	\$ 16,838,504.92	\$ 3,533,363.35	\$ 29,691,757.37	\$ 6,754,919.13	\$ 1,126,649.47	\$ 25,533.60	\$ 29,779,807.00	\$ 87,750,534.84

COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - CURRENT FUND

Revenue and Other Income Realized	Year 2019		Year 2018	
	Amount	%	Amount	%
Fund Balance Utilized	\$ 1,850,000.00	3.50	\$ 1,900,000.00	3.67
Miscellaneous - From Other Than Local Property				
Tax Levies	8,077,483.81	15.28	7,488,504.86	14.48
Collection of Delinquent Taxes and Tax Title Liens	574,718.97	1.09	680,295.96	1.31
Collection of Current Tax Levies	42,354,214.12	80.13	41,665,248.89	80.54
Total Income	52,856,416.90	100.00	51,734,049.71	100.00
Expenditures				
Budget Expenditures:				
Municipal Purposes	19,074,480.81	38.72	18,007,763.69	37.71
County Taxes	5,255,654.39	10.67	5,135,230.03	10.75
Local School Taxes	24,322,558.00	49.38	24,024,360.00	50.31
Other Expenditures	604,224.34	1.23	589,426.80	1.23
Total Expenditures	49,256,917.54	100.00	47,756,780.52	100.00
Excess in Revenue	3,599,499.36		3,977,269.19	
Fund Balance January 1	7,896,304.75		5,819,035.56	
	11,495,804.11		9,796,304.75	
Less:				
Utilization as Anticipated Revenue	1,850,000.00		1,900,000.00	
Fund Balance December 31	\$ 9,645,804.11		\$ 7,896,304.75	

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE - SEWER UTILITY OPERATING FUND

Revenue and Other Income Realized	Year 2019		Year 2018	
	Amount	%	Amount	%
Fund Balance Utilized	\$ 165,000.00	5.38	\$ 158,316.02	4.32
Rents	2,669,041.08	87.01	2,801,177.70	76.38
Miscellaneous From Other Than Membership Fees	233,431.48	7.61	707,779.55	19.30
Total Income	3,067,472.56	100.00	3,667,273.27	100.00
Expenditures				
Budget Expenditures:				
Operating	2,885,000.00	97.83	2,556,800.00	92.69
Capital Improvements	20,000.00	0.68	20,000.00	0.73
Deferred Charges and Statutory Expenditures	44,000.00	1.49	181,516.02	6.58
Total Expenditures	2,949,000.00	100.00	2,758,316.02	100.00
Excess in Revenue	118,472.56		908,957.25	
Fund Balance January 1	1,700,609.22		949,967.99	
	1,819,081.78		1,858,925.24	
Less:				
Utilization as Anticipated Revenue	165,000.00		158,316.02	
Fund Balance December 31	\$ 1,654,081.78		\$ 1,700,609.22	

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
 IN FUND BALANCE - PARKING UTILITY OPERATING FUND

Revenue and Other Income Realized	Year 2019		Year 2018	
	Amount	%	Amount	%
Parking Meters	\$ 699,503.51	70.25	\$ 662,142.70	71.06
Parking Permits	28,248.41	2.84	33,803.38	3.63
Parking Deck Fees	48,640.00	4.88		0.00
Miscellaneous From Other Than Parking Related Fees	219,330.27	22.03	235,847.16	25.31
Total Income	995,722.19	100.00	931,793.24	100.00
Expenditures				
Budget Expenditures:				
Operating	654,500.00	96.75	582,500.00	95.57
Deferred Charges and Statutory Expenditures	22,000.00	3.25	27,000.00	4.43
Total Expenditures	676,500.00	100.00	609,500.00	100.00
Excess in Revenue	319,222.19		322,293.24	
Fund Balance January 1	532,071.97		209,778.73	
Fund Balance December 31	\$ 851,294.16		\$ 532,071.97	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate:</u>	<u>\$3.635</u>	<u>\$3.596</u>	<u>\$3.522</u>
<u>Apportionment of Tax Rate:</u>			
Municipal:	<u>1.095</u>	<u>1.085</u>	<u>1.068</u>
County:	<u>0.452</u>	<u>0.442</u>	<u>0.430</u>
Local School:	<u>2.088</u>	<u>2.069</u>	<u>2.024</u>
<u>Assessed Valuation:</u>			
2019	<u>\$1,164,726,603.00</u>		
2018		<u>\$1,161,416,843.00</u>	
2017			<u>\$1,158,012,282.00</u>

*Per Abstract of Ratables, Somerset County, NJ

Note: Under the provisions of Chapter 129, L.1976, the County Board of Taxation estimated the amount of approved Veterans and Senior Citizens Tax Deductions for 2019 to be \$48,000.

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Calendar Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2019	\$ 43,020,218.73	\$ 42,354,214.12	98.45%
2018	42,446,799.33	41,665,248.89	98.16%
2017	41,388,223.89	40,762,545.05	98.49%

DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Calendar Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2019	\$ 299,908.53	\$ 585,858.97	\$ 885,767.50	2.06%
2018	265,692.03	663,312.35	929,004.38	2.19%
2017	332,638.00	522,736.85	855,374.85	2.07%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Calendar Year</u>	<u>Amount</u>
2019	\$ 28,500.00
2018	28,500.00
2017	28,500.00

COMPARISON OF SEWER UTILITY LEVIES AND COLLECTIONS

<u>Calendar Year</u>	<u>SEWER UTILITY</u>	
	<u>Levies</u>	<u>Collections*</u>
2019	\$ 2,675,973.57	\$ 2,669,041.08
2018	2,742,734.78	2,801,177.70
2017	2,695,864.19	2,635,234.71

*Include collections against prior year balances.

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Calendar Year</u>	<u>Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
	Current Fund	2019	\$ 9,645,804.11
	2018	7,896,304.75	1,850,000.00
	2017	5,819,035.56	1,900,000.00
	2016	4,126,531.66	1,900,000.00
	2015	2,687,045.03	1,630,000.00

COMPARATIVE SCHEDULE OF FUND BALANCES

		<u>Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
Sewer Utility	2019	\$ 1,654,081.78	\$ 137,000.00
Operating Fund	2018	1,700,609.22	165,000.00
	2017	949,967.99	158,316.02
	2016	620,619.13	None
	2015	10,676.57	None
Parking Utility	2019	\$ 851,294.16	\$ 175,000.00
Operating Fund	2018	532,071.97	None
	2017	209,778.73	None
	2016		None (1)

(1) - 2017 Represents first year of the Parking Utility

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2019:

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>
Dennis Sullivan	- Mayor	*
Granville Brady	- President of Council	*
Jane Kobuta	- Councilperson	*
Thompson Mitchell	- Councilperson	*
RanD Pitts	- Councilperson	*
Fred Wied V	- Councilperson	*
Roger Vroom	- Councilperson	*
Kevin Sluka	- Business Administrator, Borough Clerk, Election Officer	*
Paige Elster	- Chief Financial Officer	*
Janet E. Kelk	- Tax Collector/Sewer Utility Collector	*
Audrey Lipinski	- Court Administrator	*
William T. Kelleher, Jr.	- Magistrate	*
Jeremy Soloman, Esq.	- Attorney	
Dave Meyers	- Construction Code Official, Electrical Subcode Official, Plumbing Sub Code Official	
Frank Vuoso	- Community Development Director, Code Official, Zoning Officer	
Keith Thedinga	- Fire Official	
Matthew D. Loper	- Borough Engineer	
Rodney Hadley	- Public Works Manager	
Kathleen Gerndt	- Recreation Director	
Brett Trout	- Tax Assessor	
Dennis Manning	- Police Chief	

* All officials and employees handling and collecting Borough Funds are covered by Public Employees Blanket Bond of \$1,000,000.00 under the Joint Insurance Fund.

All of the bonds were examined and were properly executed.

**BOROUGH OF SOMERVILLE
SOMERSET COUNTY, NEW JERSEY**

PART V

GENERAL COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2019

**BOROUGH OF SOMERVILLE
COUNTY OF SOMERSET, NEW JERSEY
YEAR ENDED DECEMBER 31, 2019**

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Borough of Somerville, County of Somerset, New Jersey, for the calendar year ended December 31, 2019, has been completed. The General Comments are herewith set forth:

Scope of Audit

The audit covered the financial transactions of the Finance Department and the other various offices and departments collecting fees within the Borough of Somerville, County of Somerset, New Jersey.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. Cash on hand was counted and cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of Borough of Somerville, County of Somerset, New Jersey as of and for the transition year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

GENERAL COMMENTS

INTERNAL CONTROL MATTERS (Cont'd.)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

With respect to the reporting of internal control matters, standards require that only a significant deficiency and/or a material weakness need be reported in writing to management and those charged with governance.

The control deficiencies reported are not considered to be significant deficiencies nor material weaknesses. In addition, these control deficiencies are not required to be reported in writing, however, control deficiencies are presented to management and those charged with governance in this report as a means to present those matters identified in review of the Borough's internal controls and as a means to inform management and those charged with governance as to the auditing standards requirements with respect to internal controls.

As indicated below, we identified certain deficiencies in internal control that we consider to be control deficiencies.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated July 6, 2020 on the financial statements of the Borough of Somerville. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

Control Deficiencies:

2019-1 Segregation of Duties

Conditions exist whereby the same person may collect, record and deposit cash receipts in the following offices – Tax, Finance, Health/Vital Statistics, Municipal Clerk, Construction, Planning/Zoning, Police, and Fire Prevention.

This condition is the result of the staffing levels and multi tasks performed by personnel within the respective offices.

GENERAL COMMENTS

INTERNAL CONTROL MATTERS (Cont'd.)

OTHER MATTERS

Contracts and Agreements Required to be Advertised Per N.J.S.A. 40A:11-4

N.J.S.A. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3, of this act, shall be made or awarded only after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement."

On September 28, 2015, the Local Public Contracts Law was amended, effective on July 1, 2015. The amendment addresses the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from \$36,000.00 to \$40,000.00 under which a contract may be awarded without public advertising for those municipalities that have appointed a Qualified Purchasing Agent. The maximum bid threshold remains at \$17,500.00 for those municipalities that do not have a Qualified Purchasing Agent. As of December 31, 2019, the Borough has a Qualified Purchasing Agent.

A review of the Borough's purchasing procedures indicates bids were requested by public advertising for the following items tested, as disclosed in the official minutes:

Material, Supplies, Equipment, Service Rentals, Construction and Repairs:

Professional Services, Road improvements, Sanitary Sewer Improvements, Street Sweeper

State Contracts:

Fire Fighting Safety Equipment

The minutes indicated the adoption of resolutions authorizing the purchase through state approved vendors as required by N.J.A.C. 5:34-1.2.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

GENERAL COMMENTS

OTHER MATTERS (Cont'd.)

Contracts and Agreements Required to be Advertised Per N.J.S.A. 40A:11-4 (Cont'd.)

A test examination of expenditures revealed no individual payments, contracts or agreements in excess of \$17,500 or \$40,000 as applicable "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

Any interpretations as to possible violation of N.J.S.A. 40A:11-4 and N.J.A.C. 5:30-14 would be in the province of the municipal solicitor.

Compliance with P.L. 2005, c.271

The threshold for Pay-to-Play is set at \$17,500, with no escalator provision. "Pay-to-Play" laws cover all contracts (not just professional services as some believe). Any contract (or aggregation of purchases of similar goods or services) that does not meet "fair and open" standards requires the Borough to obtain the necessary c. 271 documents. The provisions of c. 271 became effective on January 1, 2006.

A non-compliance would result with the issuance of purchase orders exceeding \$17,500 during the fiscal period without a "fair and open" process, and without obtaining the requisite disclosures. It is important to note that the laws and regulations implementing "Pay-to-Play" focus on vendors rather than categories of goods and services. While this change may appear subtle, it greatly expands the monitoring required to assure continuing compliance.

Tests of expenditures indicated the Borough had the required documentation for compliance with P.L. 2005, c.271 for items tested.

Collection of Interest on Delinquent Taxes and Assessments

N.J.S. 54:4-67, as amended, provides the method for authorizing interest and the maximum rate to be charged for the non- payment of taxes or assessments on or before the date when they would become delinquent.

The governing body, on January 1, 2019, adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, R.S. 54:4-67 has been amended to permit the governing body to fix the rate of interest to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent and may provide that no interest shall be charged if payment of any installment is made within ten (10) days after the date upon which the same is payable;

GENERAL COMMENTS

OTHER MATTERS (Cont'd.)

Collection of Interest on Delinquent Taxes and Assessments (Cont'd.)

NOW, THEREFORE, BE IT RESOLVED that the Borough Council does hereby fix the rate of interest at eight percent (8%) per annum on the first One Thousand Five Hundred Dollars (\$1,500) and at eighteen percent (18%) per annum on any amount in excess of One thousand Five Hundred Dollars (\$1,500) from the date when any tax installment shall be payable and delinquent until the said installment together with interest is paid provided, however, that if any installments shall be paid within ten (10) days after the date payable, in that event there shall be no interest charged.

"In addition, pursuant to N.J.S.A. 54:4-67, there is hereby fixed as a penalty to be charged to a tax payer with a delinquency in excess of \$10,000 who fails to pay the delinquency prior to the end of the calendar year of 6 percent to the amount of delinquency".

The audit of the Collector's records on a test basis indicated that interest on all delinquent accounts was calculated in accordance with the foregoing resolution for items tested.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 16, 2019. There were no properties excluded from the sale. There are no properties payable on an installment basis.

The following comparison is made of the number of tax title liens receivable for the last three years:

<u>Year</u>	<u>Number of Liens</u>
CY 2019	8
CY 2018	10
CY 2017	8

Investments

The Borough has adopted a formal cash management plan policy in compliance with N.J.S.A. 40A:5-14 of the Local Fiscal Affairs Law, which requires that "each local unit shall adopt a cash management plan and shall deposit its fund pursuant to that plan".

Interfund Balances

Interfund Balances appear in the balance sheets of the Borough's financial statements of the year ended December 31, 2019.

These interfunds, in most cases, were from prior years and should be cleared by cash transfer where feasible.

GENERAL COMMENTS

OTHER MATTERS (Cont'd.)

Purchase Order and Encumbrance System

The Borough of Somerville utilizes a purchase order system for its expenditures in connection with its budgetary accounting system during the year under review. The accounting is processed on a data processing system for budgetary control. Transactions are approved based on availability of funds. Purchase orders were available for all cash disbursement transactions selected by us for testing. Tests of the system disclosed that compliance was in generally good order during the year. Tests of purchases orders and encumbrances indicated the Borough had the required documentation for items tested. The processing of confirming orders was noted.

It is suggested the Borough review policies and procedures to eliminate the use of confirming orders.

Payment of Claims

Payments of claims were examined on a test basis for the year under review. There were no exceptions noted for items tested.

Surety Bonds

The "List of Officials", included as part of the Supplementary Data section of this report, discloses the status of surety bond coverage's in effect at December 31, 2019. The minimum surety bond requirements for both the Tax Collector and Municipal Court were met for fiscal year 2018.

During July 1998 the Local Finance Board completed a readopting of the Board's general rules in the New Jersey Administrative Code. Based upon the new provisions of N.J.A.C. 5:30-8.3 and 8.4, local units are encouraged to utilize new recommended amounts in lieu of the minimum amounts in order to provide a higher level of security of public funds. The Borough's surety bond Coverage meets the new recommended amounts as it is covered under the Garden State Joint Insurance Fund.

Municipal Court

The financial records maintained by the Municipal Court during the period were reviewed. The examination of the general account included review, on a test basis, that deposits were properly recorded and spread by receipt category and disbursements were made to the appropriate agencies on a timely basis.

The bank reconciliations for both the general and bail accounts were made available for review. The examination of the bail account's financial and supporting records maintained by the Municipal Court revealed no exceptions for items tested.

The processing of traffic and criminal cases entered on the State's on-line computer system revealed no exceptions for items tested.

GENERAL COMMENTS

OTHER MATTERS (Cont'd.)

Condition of Records - Other Officials Collecting Fees

Our reviews of the records maintained for other officials collecting fees were designed to determine that minimum levels of internal controls and accountability were met, that cash receipts were deposited or turned over to the Treasurer's accounts within a 48-hour period as required by N.J.S.A. 40A:5-15, and that the fees charged were in accordance with the provisions of the Borough Code and that monthly financial reports are being submitted to the Finance Department timely. There were no exceptions with the items tested.

Condition of Records - Collector of Revenues

The records maintained by the Collector of Revenues were reviewed. Computerized cash receipt records were agreed to manual controls daily and in total monthly with no exceptions noted for items tested. No exceptions were noted for the testing of computerized real estate tax billings and billing adjustments for real estate taxes.

Condition of Records - Finance Office

The financial records maintained by the Finance Department during the period were reviewed. A general ledger was maintained for each fund, and was found to be suitable to serve as the basis for financial statement preparation. Control accounts were generally in proof with supporting detail.

Administration and Accounting of State & Federal Grants

During 2019, the Borough operated programs that were funded in whole or in part by state or federal grant awards. As part of the acceptance of these funds, the Borough is required to make assurances to the grantor agency that it will comply, in its general operations as well as in the operation of grant funded programs, with various laws and regulations. In addition, the individual grant contracts impose specific compliance requirements for the operations of each program.

The acceptance of grant funds also places additional requirements upon the Borough with respect to the Borough's system of internal controls. Based upon the matrix of requirements applicable to a specific grant, the Borough's internal controls are required to include systems and policies and procedures designed to ensure compliance with the many requirements.

We noted that the Finance office made an effort to review prior years' grant receivable balances and unexpended grant reserve balances for proper disposition at December 31, 2019. It was noted that the Borough continues to carry unexpended balances of grant awards that are several years old. This condition may have resulted from the decentralized management of the various grant programs. In the current environment, it is possible that grant program coordinators may have reported expenditures that were not charged to grant program appropriations. We suggest that the Borough continue to monitor prior years' unexpended grant reserves and that proper disposition is made in compliance with the terms and conditions of the grant agreements.

GENERAL COMMENTS

OTHER MATTERS (Cont'd.)

Internal Control Documentation

Statement on Auditing Standards 115 sets forth requirements upon the auditee that includes the documentation of its internal controls. We suggest the Borough initiate this process and also consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In addition, we suggest the documentation should also include the internal controls that exist over grant compliance along with providing for this documentation in conjunction with information relating to job descriptions and procedures manual.

Cybersecurity

As part of its overall risk management, the Borough reviews security measures in place relating to its Information Technology (IT), including the use of specialized assessments. With the ever increasing challenges relating to cybersecurity, each organization determines what particular assessment or combination of assessments best fits its information security strategy. We suggest management continue to assess risks related to cybersecurity along with the utilization of specialized assessments, which would also include a periodic reporting mechanism to those charged with governance.

The Local Finance Board, Department of Community Affairs, State of New Jersey, adopted the following requirements, previously identified as "technical accounting directives" as codified in the New Jersey Administrative Code, as follows:

Compliance with N.J.A.C. 5:30:

N.J.A.C. 5:30 – 5.2 - Encumbrance Accounting: This directive requires the development and implementation of accounting systems, which can reflect the commitment of funds at the point of commitment. The Borough of Somerville is in compliance with this directive.

N.J.A.C. 5:30 -5.6 - Fixed Asset Accounting: This directive requires the development and implementation of accounting systems which assigns values to covered assets and can track additions, retirements and transfers of inventoried assets.

N.J.A.C. 5:30 – 5.7 - General Ledger Accounting System: This directive requires the establishment and maintenance of a general ledger for, at least, the Current Fund. The Borough is in compliance with this directive.

GENERAL COMMENTS

OTHER MATTERS (Cont'd.)

Compliance with Local Finance Notices

In accordance with Local Finance Notice No. CFO-10, Uniform Construction Code, expenditure records were tested for compliance with N.J.A.C. 5:23.17(c)2, and no exceptions were noted for those items tested.

The Borough was not required to prepare and file a corrective action plan for the year 2018, pursuant to Local Finance Notice No. 92-15 issued by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as there were no recommendations.

RECOMMENDATIONS

We recommend the following:

None

ACKNOWLEDGMENT

During the course of our audit we received the complete cooperation of the various officials of the Borough, and the courtesies extended to us were greatly appreciated.

Should any questions arise as to our comments or recommendations or should you desire assistance in implementing our recommendations, please do not hesitate to contact us.

Very truly yours,

HODULIK & MORRISON, P.A.



Andrew G. Hodulik, CPA, RMA
No. 406